The International Journal Of Engineering And Science (IJES)
|| Volume || 5 || Issue || 8 || Pages || PP -13-17 || 2016 ||
ISSN (e): 2319 – 1813 ISSN (p): 2319 – 1805

Development of Strategic Management towards a Strategy to achieve Competitive Advantage

Ibnu Hajar
Professor, Departement of Management, Faculty of Business and Economics Halu Oleo University, Kendari, Southeast Sulawesi,Indonesia

ABSTRACT
The scope of discussion in this scientific papers, on development of strategic management is expected to give an understanding to academics and practitioners of that science in development of strategic management paradigm shift based on changes in environment of the military strategy theory towards a strategy to achieve competitive advantage.

Keywords: *Development, strategic management, competitive advantage*

Date of Submission: 17 May 2016 Date of Accepted: 05 July 2016

I. INTRODUCTION

Strategic management in the field of management science has developed over time and tend to turn towards more complex. The alterations to adjust to circumstances faced by the company either related to external environment and internal environment. Strategic management is synonymous with strategic planning, strategic planning where the term was first popularized in the business world in 1950s until 1970s. During this era of strategic planning for business world was widely believed as the answer to all the problems of business planning in the future. In 1980s, the academic world to develop terms of strategic planning into a strategic management is used to refer to long-term planning and business policy. Therefore, authors agree literature defines strategic management as follows:

Pearce and Robinson (2011) Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. David (2009) Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.

From the above definition, it can be understood that the strategic management process includes four basic elements;(1) Environmental scanning, (2) Strategy formulation, (3) Strategy implementation , and (4) evaluation and control. At this stage of environmental scanning or so-called SWOT analysis, management observes the external environment for opportunities and threats, then observe the internal environment to see the strengths and weaknesses. In the second stage, the management made a mission statement which plays an important role in determining the goals, strategies and policies of the company. The third phase, the company implemented a strategy through programs, budgets and procedures. The final stage, performance evaluation and feedback to ensure precise control of the company's activities (Hunger & Wheelen: 2004).

Strategic management is a comprehensive planning and as a performance measurement process for the organization, then the multi-business company usually has three levels of strategy; (1) corporate strategy, (2) business strategy, and (3) functional strategy. Corporate-level strategy describes the overall direction of the company regarding the company's attitude towards the direction of growth of various businesses and product lines to achieve a balance portfolio of products and services. Business - level strategy or competitive strategy emphasizes on improving the position of competing products and services company in the specialized industries or market segments served by the business unit. Functional- level strategy emphasis on resource productivity, develop functional strategies with a variety of activities and competencies in order to improve performance. Therefore, planners business organizations or public organizations, should enrich the perspective of the future , change , and uncertainty as well a deep understanding of courses on the business environment, business ethics and cross functions within the company , including the principle of management, marketing management, financial management, operation management and human resources management, and risk management.

II. PHILOSOPHICAL REVIEV

Overview philosophical development of knowledge management strategies to academics and practitioners so that we can unite the views and insights in the future to develop and apply science of management strategy within an organization. As a basic step in developing a strategic analysis of the company, first we will look at the historical development of strategic management. Strategic management is a relatively new field of science in the field of management science, but many concepts and theories of science is derived from military strategy since the days of Julius Caesar and even to the posts made by Sun Tzu around the year 360 BC. The word "strategy" comes from the Greek i.e, strategos, which is formed from the word Stratos that means the military and ag meaning lead (Grant: 2005).

Efforts to adapt military strategy theory in field of corporate management based on premise that there is a common principle for strategies that can be applied in these areas, it can even be applied in all competition situations . In 1994, Von Neuman and Morgenstern published the Games Theory. This theory has a profound impact on the competitive analysis. Although management in its development strategy adapted from military strategy theory, but there is a clear distinction between the nature of competition faced by military and company. The main objective of military strategy in war is to defeat enemy. While the purpose of the company's strategy to achieve competitive advantage. Therefore, an understanding of strategic management development is very important in changing the paradigm of strategic management, in which patterns of mind-set in advance about competitive advantage is a win-lose solution while mind-set is now about sustainable competitive advantage in competition arena is a win-win solution, in which the three essential components in competitive environment; competitor , customer, company can be incorporated into the cooperation through a strategic alliance.

III. DEVELOPMENT OF STRATEGIC MANAGEMENT

Although strategic management science is a relatively new in management science field, but the concepts and theories in field is evolving according to changes in environment faced by the company. Development stage of strategic management (Gluck, Kaufman, and Walleck: 1980):

1. Basic financial planning; at this stage the planning is still in form of financial planning is poured in the form of annual budget every function of the company.
2. Forecast - based planning; at this stage of planning more effectively for growth, environmental analysis, forecasting done several years, and static resource allocation.
3. Externally oriented planning; at this stage of planning outward to improve the response of the market and competition, do a more thorough analysis of the situation, the evaluation of strategy alternatives, and dynamic resource allocation.
4. Strategic management; at this stage the incorporation of strategic planning and management in a single process with purpose of regulating entire resource to increase competitive advantage, strategic planning framework selection, creating planning process flexibility, and encourage value system and organizational climate.

Then the development of strategic management from the point of thinking and approach to corporate strategy is based on decades of experts, can be divided into four decades, namely; Called the decade of 1950s and 1960s, corporate planning, called the decade of 1960s and 1970s, corporate strategy, called the decade of 1970s - 1980s, competitive strategy and 1980s until now called, resources base view strategy. This simple paper outlines the historical development of strategic management so that we do not make errors in the formulation and analysis strategies since we live in different environments and change from time to time. Change and uncertainty enduring something that we have to face. The most common mistakes made in the formulation and analysis of the strategies are: (1) an error in defining the future, (2) errors in applying universal strategy in different situations, (3) the use of assumptions that are not appropriate, and (4) the error definition the parameters associated with the strategy (Hutabarat and Husaini: 2006)

As for the development of thinking and approach to strategic management experts, as follows:

1950s - 1960s. "Corporate Planning"

In this decade business environment remains relatively stable, but necessary business strategy as the best way to manage large and complex organizations. The main problem in large organizations in this decade is to coordinate the decisions are taken individually, and maintain a thorough scrutiny of top management. Planning in this decade is the annual financial budget that can be used as a mechanism of coordination and supervision. In 1954, Peter Drucker popularizing an approach to planning in terms of management by objectives that explains how to manage the company by reference to a set of formal procedures that emphasizes goal setting and performance assessment. The essence of the system management by objectives lies in setting targets shared by managers and subordinates. The targets used by subordinates and superiors to monitor progress. Assessment of the performance carried along on a sustainable basis with provisions to be assessed regularly and periodically.

Then at the end of the decade, companies are seeking ways to conduct operations efficiently, and control risks through large-scale production, mass marketing, vertical integration, and long-term technology investment. Philip Selznick introduced organizational strategies that are essentially explain the responsibility of the leadership to apply a clear goal in operating the company by directing the company's internal strength against external environmental expectations. Thus, through the strategic planning process of mid-term planning and forecasting market became popular.

1960s - 1970s, "Corporate Strategy"

In this decade the emphasis of business planning is a strategic planning or long-term planning is formal with priority given to portfolio planning, namely; business and product diversification, as well as the allocation of resources. In the early 1970s, Igor Ansoff began to introduce "strategic concept" in his popular "Corporate Strategy" which explains the basic understanding of the strategy in the management when the concept of management is not able to explain questions about the changes the competitive environment faced by the company, in which the development of the company lead to the management of multi-business, multi-market and multi-product, then this decade began to emerge management lecture material such as corporate strategy, corporate planning, and business policy, until now called strategic management.

During this decade, the issue of the development strategy of the company leads to the desire create synergy characterized by many companies to diversify, both diversification concentric and diversified conglomerate, so that General Electric developed a number of techniques or models of strategic planning at the corporate level are applied widely by other companies, namely portfolio analysis. The basic idea is to make a simple graphical framework that describes the business owned diversified companies . This technique is the answer to the difficulties encountered in managing the GE business unit that is very diversified.

1970s - 1980s, "Competitive Strategy"

In this decade change in increasingly complex environments where increased competition internationally that threatens the stability and viability of the company, as a result the company was forced to leave the medium-term planning process that is used to do and more emphasis on strategic management approach that is more flexible. Therefore, strategic issues in this decade is the increasing awareness of the importance of external environment analysis with emphasis on analysis of industry and competition. Michael Porter from Harvard Business School pioneered the application of the industrial organization in analyzing the determinants of firm performance. Industrial organization view on competitive advantage states that external factors are more important than a variety of internal factors in the company's efforts to achieve competitive advantage. The adherents view of industrial organization believes that organizational performance will be largely determined by the competitive forces in the industry. Porter (1980) in his book "Competitive Strategy" states that companies need to understand or assess patterns of existing competition and the strength of competition in the industry, because it determines the strength of the company's profit potential in the industry. Framework strategy identifies five forces competitive industries, namely the threat of new entrants company, the threat of substitute products, bargaining power of suppliers, bargaining power of buyers, and the intensity of competition in the industry.

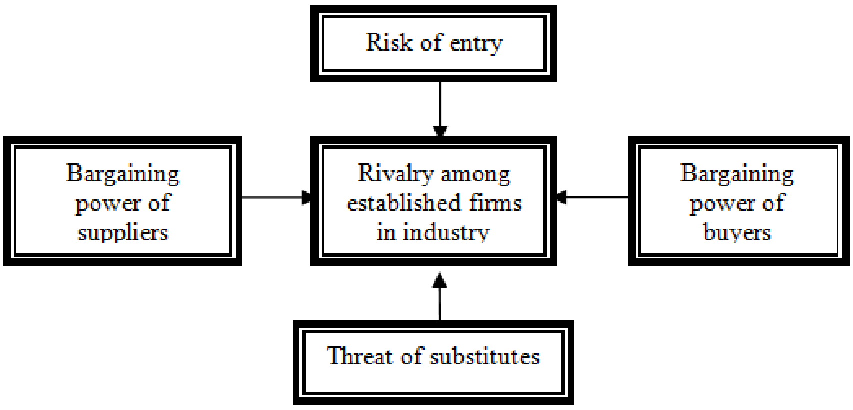

Figure 1: Model "Five Forces of Competition" of Porter

Furthermore, Porter (1985) defines competitive strategy is positioning the business to maximize value for the company compared with its competitors. The typical value that can be achieved by the company to pursue a strategy of generic as follows; cost leadership, differentiation, and focus. On the other hand, Miles and Snow (1978) offer the types of strategies that are named orientation strategy, namely the combination of the structure, culture, and processes that are consistent with the strategy. The characteristics of the type of the strategy, is; defenders, prospectors, analyzers, and reactors. Then the Boston Consulting Group (BCG) to analyze the role of the market share in determining the competitive advantage and the company's ability to earn a return, with the introduction of BCG matrix models based on the grouping of business according to market growth and market share of the company. Companies are grouped based on the product life cycle, namely; question marks, stars, cash cows, and dogs. In this decade anyway, Strategic Planning Institute conducted a study on "The role of the industry structure and the competitive position of the company's performance" in a project named PIMS (profit impact of marketing strategy). At the end of this decade, Porter (1985) developed a technique of value chain is a technique to test the properties and synergies between the internal activities of the company. Each company is a set of activities undertaken to designing, manufacturing, marketing, and customer service, as well as supporting the activities of its products. The difference between the value chain competitors is the key source of competitive advantage.

In the 1980s until now. "Resources base view strategy"

At the end of the 1980s was marked by the external environment is increasingly complex and competitive business environment with very high, the company began developing the concept of strategy and focus of the emphasis changed from the analysis of the competitive advantage in the aspect of the strength of competition in the industry based resource into the internal aspects of the company. Resource-based view emphasizes that the company's competitive advantage obtained through the exploitation of resources and capabilities unique company than the company's choice to position itself in the market. Resource-based view preceded by Penrose (1959) states that the company's growth is based on a manager's ability to coordinate resources and decision-election strategy appropriate resources for managers will determine the final performance of the company. Later developed by Prahalad and Hamel (1990), Barney (1991), Rumelt (1991), Grant (1991), and Peteraf (1993) which states that every organization is a set of resources and capabilities, both tangible and intangible that can controlled by the company in formulating and implementing strategies to improve the efficiency and effectiveness of the company.

Sustainable competitive advantage is achieved where resources valuable, rare, unique, and can not be imitated. Then the resource-based view sees each company has a core competence arising from the resources and capabilities that can be used as a source of competitive advantage. At the beginning of this decade Thomas J.Peter & Robert H. Waterman, Jr. in his book "In Search of Excellence" approach popularized the 7-S McKinsey as a conceptual framework to explain the superior performance of companies in the United States. In its development, the approach McKinsey 7-S is used to test the effectiveness of the organization and can be applied to analyze the strengths and weaknesses of the company. The conceptual framework to identify and evaluate the organization seven variables in analyzing the company profile,i.e; structure, strategy , staff, style, systems , skills , and shared values.

In the early 1990s, developing resource-based view which leads to a more dynamic knowledge-based view is characterized by the concept of competitive advantage in the future where the company must prepare by building core competencies. Prahalad and Hamel (1990) argues that the critical task of management is to create an organization capable of creating product which customers need but have not yet even imagined. To achieve this, management must successfully operate across organizational boundaries rather than focus on discrete individual strategic business units (SBU).The concept on knowledge management combined with learning organization are becoming increasingly popular in the 21st century, in which becomes a concern, regarding skills, thinking ability, moral values, need to be managed to create creativity in order to achieve sustainable competitive advantage.

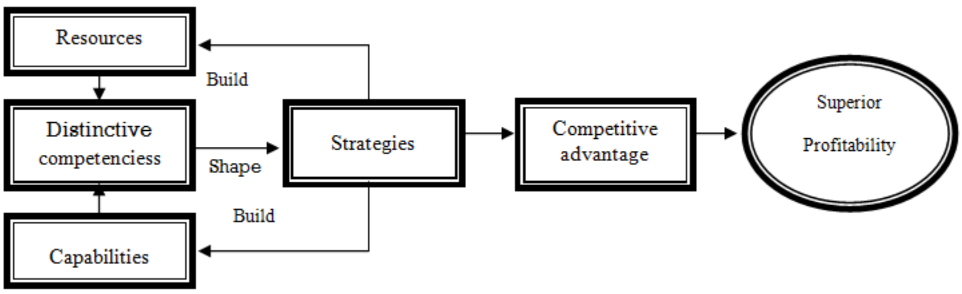

Figure 2: The relationship between strategy, resources capabilities, and competencies

A company that has a competitive advantage over its rivals when profitability is greater than the average profitability of all companies in its industry. Competitive advantage is based upon distinctive competencies formed from two complementary sources; resources and capabilities. Distinctive competencies are firm-specific strengths that allow a company to differentiate its products from those offered by rivals, and/or achieve subtantially lower costs than its rivals. There are four indicators that helps companies to build and maintain a competitive advantage, namely superior efficiency, superior quality, superior innovation, and superior customer responseveness. Each indicator is sourced from the company's distinctive competencies.

In the 21st century, the concept of competitive advantage is colored by two complementary views; the industrial organizations views stated that external factors (industrial environment) is more important than a variety of internal factors in the effort to achieve a company's competitive advantage. Proponents of the view believes that the company's performance will be largely determined by the forces of the industry. On the other hand, resource-based view states that the company's internal resources is more important to the company than external factors in an effort to achieve and maintain a competitive advantage. Proponents of the view found differences in the company performance due to differences in resources and capabilities that create distinctive competencies. In conditions of low industrial environment and high managerial capability or competence , managers can make adjustment to implementing strategy, namely strategic alliance between companies, competitors and consumers with moral values based on the principle of trust to improve company performance.

IV. CONCLUSION

1. Strategic management is a comprehensive planning involving the external environment and internal environment. The external environment for opportunities and threats. While the internal environment to see the strengths and weaknesses of the company. Environmental monitoring aimed to analyze the factors most important to the future of the company called strategic factor analysis or "SWOT" analysis.
2. Strategic management is an company’s performance measurement tools so planners need to maximize the opportunities and minimize the threats of external environment increasingly dynamic and complex. On the other hand, utilizing the strengths and overcome the weaknesses of internal company so the company works efficiently to achieve superior performance.
3. Strategic management in its development paradigm changes in competition, in which the mindset advance about the competitive advantage is a win-loose solution while mindset is now about competitive advantage is a win-win solution, where the three essential components in the competitive environment; competitors , customers , and company can be incorporated into the cooperation through a strategic alliance.
4. The history of strategic management colored two complementary views to achieve competitive advantage of companies, namely; industrial organization view looked at the company's competitive advantage depends looking out the structure of the industry and competition to achieve greater market share thus increased sales. While resource-based view looked at the company's competitive advantage depends within the company the capability of the company to manage resources for the company to work more efficiently.
5. Company a competitive advantage is created when the profitability of the company is greater than the average profitability of all companies in industry. Four indicators that helps companies to build and maintain a competitive advantage, namely; superior efficiency, superior quality, superior innovation, and superior customer responsiveness. Each indicator is sourced from the company's distinctive competencies.

REFERENCES

[1]. Ansoff, H. Igor (1968), Corporate Strategy, An Analytic Approach to Business Policy for Growth and Expansion, New York : Penguin Books

[2]. Barney,J (1991),”Firm resources and sustained competitive advantage”, *Journal of Management*, Vol.17 No.1, pp 99-120

[3]. Batgeson, K (2003), Building a Knowledge Driven Organizations, Mc.Graw Hill

[4]. David, F.R (2009), Strategic management: Concepts and cases, 12th ed, Pearson Prentice Hall,New Jersey

[5]. Gluck, F.W, *et al* (1980), Strategic Management for Competitive Advantage, Harvard Business Review, july-august, p 157

[6]. Goold, M, *et al*. (1994), corporate-Level Strategy, Creating Value in The Multibusiness Company, John Wiley & Sons,

[7]. Grant, R.M (2005), Contemporary Strategy Analysis, 5th ed, Boston, MA Blackwell

[8]. Hill, C.W.L and Jones,G.R (2013), Strategic Management: An integrated Approach, 10th ed, South-Western,Cengage Learning, USA

[9]. Hunger,J.D and Wheelen, T.L (2004), Strategic Management and Business Policy, 9th ed, Pearson Education, New Jersey

[10]. Hutabarat,J dan Husaini,M (2006) Manajemen Strategik Kontemporer: Strategik ditengah Operasional, Penerbit PT Elix Komputindo Kelompok Gramedia, Jakarta

[11]. Pearce,J.A and Robinson,R.B (2011), Strategic Management : Formulation ,Implementation, and control, 12th ed, MC Graw Hill.International Edition

[12]. Penrose, E.G (1959), The Theory of growth of the firm, New York:Wiley

[13]. Prahalad, C.K and Hamel, G (1990) The Core Competence of The Organization, Harvard Business Review, 68(3), 79-91

[14]. Porter, M.E (1980) Competitive Strategy: Techniques for Analysing Industries and Competitors. New York: Free Press

[15]. Porter, M.E (1985) competitive Advantage: Creating and Sustaining Superior Performance, New York : Free Press,

[16]. Peter,T.J and Waterman, RH (1982), In Search of Excellence, New York: Harper & Row