

## Comparison of two approaches of strategic management and supply chain management

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**Abstract:** Organizations, in the broadest sense, are the key pillar of the current communities and management is the most important factor in survival, growth, and development or death of organizations. A manager directs the movement from the current situation to the desired situation and is always trying to make a better future. Today, organizations are facing with difficult future, loss of resources, increased accountability, and challenging opportunities and due to the significant reduction in financial resources and therefore reduced staff, many of them have been subjected to more careful surveillance. Hence, strategic management is the most important issue that should be taken into account for cultural, economic, and political growth and excellence of society. On the other hand, intensified global competitive environment that is constantly changing has doubled the necessity of proper reactions by organizations and manufacturing-industrial companies and insists on their flexibility and adaptability with uncertain external environment. To gain and maintain a proper position in the national and global arena, today's organizations need to utilize an appropriate pattern such as supply chain management in order to achieve competitive advantage and customer expectations. This paper aims to explain the concept strategic management and supply chain management and their basic principles and also compare their advantages and limitations.

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### 1. Introduction

Strategy is originally a military term meaning to gauge the position of yourself and your opponent plan to meet them in the best situation. However, this term or military technique gradually found an important place in the political and then economic management and leadership. In a simple sense, strategy is a general approach to achieve a general objective. The term strategy is derived from the Greek word "strategia" referring to a General who commands the army. Organizationally, strategy includes the changing pattern of business, social objectives of company, philosophy of organization, goals and objectives, and essential administrative policies to achieve the objectives.

#### 1.1. Definition of strategic management:

Strategic management is a process through which the organization analyzes its internal and external environment and acquires some pieces of information about it and uses them to formulate, implement, and evaluate the decisions in order to achieve a better future. Strategic management means to enjoy a strategic thinking and is a method by which the man responds to opportunities and, in other words, it is a way of life of organizational accountability. According to strategic thinking, it is said that "think at macro level and take action at your level". In fact, this kind of thinking is a reaction to reactive approach, the supporters of which believes in repairing and looks to the outside from inside the organization. Strategic thinking shifts from authoritarian equipment and processes and financing

tactics to a futurist, proactive, and holistic thinking, in which new horizons and responses are designed. Strategic management consists of three steps including strategic planning, strategic implementation, and strategic assessment (de Wit and Meyer.2008). Portman believes that strategic management is an organizational change program aimed to change the management attitudes and behaviors throughout the organization. Violin and Hanger, in the definition of strategic management, emphasize on decisions and measures that outline the long-term performance of the organization or company. Bracker stresses that the main importance of strategic management is that it gives a framework to the organization to develop the abilities to anticipate and adapt to changes.

#### 2.1. Importance of strategic management:

Nowadays, strategic management is considered as one of the efficient management approaches in organizations, especially enterprises by experts and planners. In the current fluid, complex, and variable world, planning and strategic management is an approach to help organizations and communities to deal with rapid changes and is a model to identify and solve the important issues and problems, identify the weaknesses and strengths of the organization, optimally use opportunities, and eliminate the weaknesses and threats which jeopardize the organizations. In fact, it is a more efficient action against the competitive and brutal world. Strategic planning helps the organization to think strategically, develop effective strategies, set

priorities take today's decisions considering their future outcomes, determine the direction of future follow-up and find a rational basis for decision-making, apply the maximum insight and enlightenment, try to solve the important organizational problems, improve organizational performance, deal with changes properly, and make efforts to develop teamwork, specialty, and expertise.

### 3.1. The necessity of strategic management:

Taking a precise look at the concept of strategic management, the necessity of using it can be founded. Given the environmental changes which have taken a lot accelerations and complexity of organizational decisions, the need for applying a comprehensive plan, which is nothing but a strategic plan, for dealing with these issues is more tangible than ever. Emphasizing on a dynamic, futurist, holistic, and contingency, strategic management is the solution to many problems of today's organizations. Foundations of strategic management are based on understanding of the heads of rival companies, markets, prices, raw material suppliers, distributors, governments, creditors, shareholders, and customers around the world, all of them are factors which determine the commercial success in today's world. Hence, strategic management is one of the most important tools for success in the future those organizations can take advantage of.

### 4.1. Definition of supply chain management:

Supply chain management is a set of techniques used to effectively and efficiently integrate suppliers, manufacturers, warehouses, and retailers, so that the correct number of goods are

produced and distributed in the right place and at the right time in order to minimize system cost and meet service needs. Supply chain management is coordinating the production, inventory, location, and transportation among the participants in a supply chain to achieve the best combination of performance and accountability for being successful in the market (Cooper, M.C.et.al.1997) . Supply chain management includes integration of business processes from the final consumer to the first supplier that provides goods, services, and information creating value for customers.

### 5.1. The history of supply chain management:

In the 1960s and 1970s, organizations tried to produce goods with better quality and lower cost through standardization and improvement of their internal processes in order to increase their competitive power. The dominant thought at time was this that a strong engineering and design accompanied with a coordinated and coherent production operation is the prerequisite for achieving the demands of the market and thereby gaining more share of the market. Hence, organizations focused all their efforts on increasing the efficiency. With an increase in expected patterns of customers in the 1980s, organizations increasingly became interested in improvement the flexibility in production line and development of new products to meet the demand of customers. In the 1990s, along with improvement in production processes and application of engineering patterns, managers of many industries found that only.

**Table 1:** Advantages and disadvantages of strategic management

	Advantages	Disadvantages
Advantages and disadvantages of strategic management	1- Strategic management allows the organization to act in way to be creative and innovative doesn't act passively in forming its future. 2- Historically, the main benefit of strategic management is that it helps organizations to choose strategic solutions and choices through applying a more regular and rational method and thereby adopt the best strategies. 3- Strategic management increases the mutual understanding and commitment among managers and staff. 4- Strategic management provide an opportunity in which powers and responsibilities are delegated to employees. 5- Emphasizing on a dynamic, futurist, holistic, and contingency, strategic management is the solution to many problems of today's organizations.	1- The cost of implementing strategic planning is one of its limitations that many small organizations can not apply it. 2- In terms of time, this kind of planning requires a long time and the organization should spend a lot of time on the process of strategic planning. 3- Strategic planning process requires specialized and skilled manpower that is not accessible for all organizations. 4- Another point is the lack of flexibility and stability that this kind of planning induce, because a comprehensive plan come from a rational and regular thinking and obligates all managers and members to act and behave in accordance with predetermined criteria.

**Table 2:** Advantages and disadvantages of supply chain management

Advantages and disadvantages of supply chain management	Advantages	Disadvantages
	1- Supply chain management is a phenomenon that allows customers to receive fast and reliable services or quality products at a minimum price. 2- The objective of every supply chain is to maximize the total value of production. 3- The short-term objective of supply chain management is to increase productivity, reduce inventory, and reduce total cycle time. 4- The long-term objective of supply chain management is to increase customer satisfaction, market share, and profit for all organizations involved in the supply chain. 5- Less inventories 6- Higher productivity 7- More Agility 8- Higher profits 9- More observance of consumer rights 10- Correct amount of inventories and stored items 11- Closer interaction with suppliers 12- Creating opportunities to buy large amounts at lower price	1- Poor transport infrastructures and various and different rules related to it 2- Inadequate telecommunication infrastructures 3- Old and inadequate transportation vehicles 4- Inadequate road network 5- Inadequate warehouses 6- Inadequate and old railway network 7- Economic challenges 8- Poor understanding of the competitive economy 9- Weakness in realistic and practical economic planning 10- Weakness in stabilization of economic route 11- Small domestic market and lack of information in the market 12- Inefficient banking system and high interest rates 13- Shortcomings and problems in the economic supports by government 14- Insufficiency of tax system 15- Management challenges

**Table 3:** Comparison of advantages of strategic management and supply chain management

Advantages of strategic management and supply chain management	Strategic management	Supply chain management
	1- Strategic thinking creates a vision to the organization and helps the managers to adopt correct decisions in accordance with this vision. 2- Strategic thinking helps various factors of business to be classified based on their influence in "creating value for the customer" and makes organizational resources to be solely focused on the main effective factors. 3- Formation of a mental model based on strategic thinking causes the insight and understanding of valuable factors in business to be the basis for behaviors and decisions of managers and leads to an increase in market share for the existing business of organization. 4- Strategic management directs supply chain management in a way to satisfy the customers.	1- Improving the production process and reducing the costs 2- Creating a sense of responsibility in suppliers and distributors as the main arteries of the organization in order to better satisfy the customers 3- Creating a dynamic environment full of changes, and thus a more competitive market 4- Coordination with suppliers and distributors to quickly respond to the needs and demands of customers 5- It stimulates the demand and facilitates the capabilities and resources of entire network and also improves the performance of market leading.

Improvement of internal processes and flexibility in abilities of company are not enough keep being present in the market, but suppliers of parts and materials to produce materials with best quality and lowest cost and product distributors must be closely tied to the policies of market development of producers. With such an attitude, supply chain approach and its management came to the existence (Simchi-Levi D.et.al (2007). On the other hand, with the rapid development of information technology in recent years and its widespread use in supply chain management, many activities of supply chain management are being performed by new methods.

#### **6.1. The importance of supply chain management:**

In today's global competitions, a variety of products should be available to the customers

according to their requests. Customers' demands for high quality and fast service have increased the pressures that never existed before. So, companies cannot manage to do all works alone any more. In the current competitive market, economic and manufacturing enterprises, in addition to focusing on internal resources, have found the necessity of managing and controlling the related resources and components outside the organizations. This is actually due to achieving to competitive advantage or advantages aimed at gaining a larger share of the market. According to this, activities such as supply and demand planning, material preparation, production and product planning, the service of product maintenance, inventory control, distribution, delivery, and serving the customers which all were

previously done at the company level has now delegated to the supply chain. Coordinated management and control of all these activities is the key factor in a supply chain. Supply chain management is a phenomenon that performs this in a way that customers can receive fast and reliable services or quality products at a minimum price. Generally, supply chain consists of two or more organizations that are formally separated from each other but are related to each other through material flows, information flows, and financial flows. These organizations can be enterprises which produce raw materials, parts, and final product or offer services such as distribution, storage, wholesale, and retail. Even the final consumer can also be considered as one of these organizations in supply chain.

### **7.1. Comparison of strategic management and supply chain management:**

By creating a new trend in the world economy structure, globalization phenomenon has affected the business and caused acceleration in the flow of capital and good and also a serious disturbance in the organizations. In this situation, the rules governing the market are constantly changing and companies don't think only about their own "profit and loss" but they focus on "being or not being" in the competition market. This condition has made the organizations to be constantly flexible in interaction with the business environment. Successful management in supply chain requires that decisions related to strategic thinking and strategic management. Strategic thinking approach offers a suitable option for certain conditions and the cost of creating unused options has been justified as the cost insuring the organization against unpredictable conditions, increased the maneuverability in supply chain management, released it from the impasse of difficult and unpredictable conditions, created a unique competitive advantage, and if rivals are not prepared to effectively respond this advantages, it causes a dilemma for them. Strategic thinking emphasizes on "learning" as an effective method to develop an understanding and insight of customer and market that its implementation in the supply chain has prevented the other environmental fluctuations to cause inconsistency in the chain and made the chain to be aligned with the environment in order to satisfy the customers.

This way, it becomes an efficient chain. On the other hand, further need for cost reduction on the one hand and improvement of organizational process in order to satisfy customer demands on the other

hand, gave an increasing importance to the concept of supply chain and have caused organizations to pursue its expansion within the organizational framework.

### **2. Discussions**

Due to the increasing changes in business environment and unpredictability of future changes, organizations can not merely use strategic planning to deal with these changes any more or use strategic thinking or strategic management as an insight and understanding in effectiveness of their business as a supplement. In addition to developing a rapid communication between the company with suppliers and distributors, implementing an effective strategic thinking a chain reduces the costs of the chain and ultimately leads to lower prices of final products and services and also increases the share of company in the market. By establishing a strategic thinking based on the rules governing the market and predicting future changes, organizations will be encouraged to choose an appropriate strategy according to their strengths and key factors of success and always try to gain a more share of the market. These factors lead to the determination of a purposeful orientation by the organization in supply chain and always help this chain, the main objective of which is to attract customer satisfaction. In circumstances that mechanisms of competitive advantage are rapidly evolving, strategic management and understanding for continuous detection of these factors is the only sustainable competitive advantage which has led supply chain management towards its fundamental goals and caused a persistent strength among the members of chain with rapid accountability to market developments.

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