



Strategic Management for Main Functional Areas in an Organization

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Abstract

It is argued that Strategic Management is concerned with 'The Whole Organization'. The whole organization includes four main functional areas, which are marketing, operations management, finance and human resource management. Each functional area requires strategic thinking, which is thinking for the future. What a whole organization needs is to make strategic decisions and put the strategy into action. According to the sixth edition of 'Exploring Corporate Strategy' (2002), it says a strategy is 'the long-term direction of an organization'. This essay is concerned with the strategic management of a whole organization, the relationships of different functional areas and the implementation of the strategy in an organization.

Keywords: Integrated, Interact, Strategic, Change, Innovation, NPD

Introduction

Every single organization is working properly with the basic and necessary departments. There exist many arguments about which functional area would be the most important one for the long-term development for an organization. Normally, there are four main functional areas in an organization, involving marketing, human resource, operations and finance. They are working as a whole, and they are interrelated and interacted during the course of the operation of an organization.

1. The whole organization

1.1 Marketing – the most important part of an organization

There are many arguments with respect to how different functional areas might drive each other. While some people believe human resource management drives the whole organization, others think marketing should be the most essential area of the whole organization.

For example, Armstrong, M. (1987) says human resources are the most important assets of an organization and their effective management is the key to the success. In contrast, Claire Capon (2000) says Marketing is the first department of the whole organization to be considered.

In fact, it is hard to say which functional area is the most important part of a whole organization. They always work together and interact with each other. Accordingly, the four main functional areas are integrated and interrelated.

Marketing, which is an essential department of an organization can affect on the business very deeply. Relatively speaking, marketing which is concerned with identifying customers' needs and wants drives the whole organization.

The marketing department is an internal area with regard to research, analysis, supervision and so on. Furthermore, it is related to the external environments as well. Thus, the marketing department plays important roles in both external and internal environments. What the marketing department is supposed to do is to notice every change with regard to the outside world and predict the kinds of products or services the clients may want. Moreover, marketing also has to cope with other departments of the organization with the aim to get them realized the objectives of an entire organization.

Michael Porter, a professor at Harvard Business (1980s) suggested that organizations should dominate specified markets, or segments of specified markets, and make it as hard as possible for others to enter that market. (Michael Colenso, 1998, p. 17)

What Porter said is a corporate strategy and is also the way to enhance the competitive advantages of an organization. In other words, the organization has to be so specialized in its own products and services that others do not be able to copy or imitate. It can also keep the rivals not be able to enter this particular field. The core idea of Porter's strategic thinking

is to keep the cost of entering this market very high so that competitors won't be able to enter. The organization will develop very quickly as a result of carrying out such marketing strategy.

The other aspect why the marketing is important for the development of an organization has something to do with the New Product Development (NPD), namely, the innovation. As the world is ever changing and there are many unexpected factors which will have impact on businesses, innovation is a kind of means to help the organization survive the intense competitions, and it is also beneficial to the long-term development of an organization. However, there are a number of controversial views on the value of NPD to the long-term viability of organizations. Some people argue that NPD is harmful, while others disagree. And it differs from natures of industries, sizes of organizations and so forth. For example, manufacturing industry can be influenced by new technologies; and education system can be affected by new academic ideas. Consequently, as a company in the changing world, managers are required to be highly aware of changes. Moreover, managers should try to be proactive rather than reactive, which will be beneficial to long-term development of an organization. Most companies resist to changes and they prefer safety, that is, they might prefer more conservative way, entering markets when the products are nearly in their mature phase. So, these companies have no systematic method to create new products or exploit new markets, and they can only change as the environment changes. On the contrary, if these companies are creative and innovative, they can respond to changes all the time.

Marketing demands creativity and innovation, further, new product development is a method of creating, developing and keeping a competitive advantage of an organization. For example, IT industry is changing rapidly as a result of new technology, thus, businesses in this industry have to keep creating new products continuously, especially the software. Otherwise, even traditional industries could die. According to the graph of product life cycle (1994, pp. 6), it is obvious that all products go through maturity, then decline. Hence, according to the graph of forces governing competition in an industry (1994, pp. 12), if companies do not keep creating new products, they can not maintain their competitive advantages and a number of new entrants or substitute products will probably come to the market and gain the market share and profitability (1991).

As Gregory R. Elliott states, the elements of marketing concept involves customer orientation, integrated marketing efforts, resultant profitability. So, it is evident that customers, marketing strategy and profits are vital for businesses. It appears that if companies concentrate on innovation, they will provide new things continuously and create more opportunities to make profit. Indeed, sometimes, customers do not really know what they need and want, such as the movie industry, there are a great many of new movies every year with various kinds of themes. Movie companies promote new movies by using attractive posters or trailers to persuade customers to buy tickets.

It is common that people prefer safety rather than changes. Donald Trump, one of the premier entrepreneurs of the 1980s, says that he has never gambled in his life and he prefers less risk (1995). As such, David Singleton, another entrepreneur, who built a very successful newspaper chain, states that their behavior may seem to be risky, but every risk was very carefully calculated (1995). According to the article *Cost Targets and Time Pressure during NPD* (2002), we see that NPD is costly and time-consuming. Suppose a new product fails, a company would have to bear cost for the failure and suffer serious losses. That's the reason why lots of managers do not like to take risks and hold a view that NPD is too risky. It is universally accepted that risk and challenge exist at the same time and risk taking can win great developing opportunities. Innovative organizations do take risks, but the risks are prudent risks. Companies can adopt some methodologies to minimize risks. As Michael Howley suggests companies can do marketing researches carefully beforehand and employ consultancies for enquiries in order to reduce failures (2002).

As Martti Tapio Lindman states, neither small nor large companies possess any extraordinary advantages over each other in innovation. In contrast, large firms especially comprise the major source of technology and innovations, since small-to-medium sized enterprises (SMEs) lack of relevant skills and resources, which is considered as a potential weakness for innovation (2002). Additionally, as the analysis of SMEs (2002) indicates, SMEs tend to lack a long run perspective and in this respect, SMEs are reactive rather than proactive. In a word, SMEs as well as large firms have their own characteristics. Although they are different in size, both of them need innovation so as to adapt to the changing environment.

The book *Product Innovation Strategy* states: "There is no such thing as a commodity business. There is always the possibility of differentiating yourself." (1995) It appears that there is no doubt any industry has possibility of innovation. Further, any kind of products could be differentiated. As Theodore Levitt states in the article entitled "Marketing Myopia", transportation industries were product oriented rather than customer oriented, as a consequence, they lost customers; likewise, the Hollywood movie ignored the threat of television until it was almost too late because they regard themselves as cinema industry rather than entertainment business. (1960) Similarly, the view "We are in a commodity business." held by some industries is another kind of marketing myopia. Such industries ignore the changing environment they are in and rapidly developing technology, and they are internal environment oriented rather than Macro and Micro environment oriented. In sum, this view is harmful to the long-term development of organizations.

Moreover, developing a green marketing strategy is becoming a trend of innovation, which also refers to ethical issues of businesses. In order to protect the environment and keep sustainable development of businesses, it is necessary to apply a green marketing strategy. As far as the future of business is considered, companies are required to take environmental issues into account as they develop new products. Such innovation can provide a healthy environment either for industries or the nature. Obviously, the unexpected and competitive environment calls for New Product Development. And the same is true in terms of innovation for other functional areas inside an organization.

1.2 The relationship between marketing and other departments

As far as the internal environment of the organization is concerned, the four main functional areas are integrated as a whole. They do not work alone, but work together towards the overall aim to plan for the future.

1.2.1 Marketing and operations management

Operations management is about the way organizations produce goods and services. (N. Slack et al., 1998, p. 3)

Moreover, operations management is referring to satisfying customers' needs and wants. Research and Development (R&D) is the necessary step of marketing, which has a relationship with operations management about making decisions on the design of products or services and the resource inputs need. Then, costs and the sales price could be decided by operations management. Finally, marketing and operations management work together and come to a final decision on making profits according to the cost and the price.

1.2.2 Marketing and finance

Financial management is concerning raising capital for the operations and ensuring sufficient revenue is generated to cover the cost of any finance raised. (Claire Capon, 2000) Likewise, finance has a very close relationship with marketing and operations management as well. The finance department is required to make sure that there is enough money for the whole organization to run properly. On the other hand, operations management is responsible for producing the goods considering the costs. Furthermore, marketing should bring the products to the market and do the best to sell enough goods in order to make large profits for the whole organization.

1.2.3 Marketing and human resource management

Human resource management (HRM) is an integrative general management that involves identifying the organization's demand for human resources with particular skills and abilities. (Claire Capon, 2000) As for the introduction of the new products or services, it is necessary for HRM department to know about it. Once the new products or services are introduced, marketing has the responsibility to inform the HRM department punctually and sufficiently. The information for HRM department should be concerned with the new skills and experience needed for the new workers at present. In other words, HRM department should make a strategic plan in training, recruitment and selection of new staff.

2. Plan for the future

Strategic Management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action. (Gerry Johnson and Kevan Scholes, 2002, p.16)

2.1 Managers and strategic planning

2.1.1 Macro environment and micro environment

The whole organization relates to many different fields, such as macro and micro environments. Macro environment is equal to the external environment which can be defined as PEST. PEST embraces four parts: Political, Economic, Social and Technological elements. Micro environment is concerning customers, competitors, industries, markets, etc.

Both macro environment and micro environment are likely to have impacts on the business, due to their frequent changes. So, managers are required to be highly aware of the changes which occur gradually and always think for the future in order to lead the whole organization to success. The changing environment is the very reason why an organization needs to make a contingency plan as well.

On the other hand, a good manager must know 'letting go', namely, how to delegate rather than do everything themselves.

2.1.2 Organizational culture and mission statement

As far as an organization is concerned, organizational culture as well as mission statement is crucial for the whole organization.

Culture can be identified in the internal environment of the organization. Deal and Kennedy examined hundreds of companies and find four generic cultures: tough-guy macho, work hard/play hard, bet your company and process. (Claire Capon, 2000) From above-mentioned organizational cultures, we see these cultures could assist the managers to supervise the companies more efficiently.

In addition, mission statement is the schedule of duty and aim of the organization. It is indispensable for any organization to have its own mission statement which is aiming at the future.

2.2 Strategic management in the whole organization

As far as the whole organization is concerned, each functional area has its own strategic management. Strategic management penetrates into different functional areas and help the whole organization to enhance its own competitive advantages. The application of the unique strategic management leads the organization to the final success. Accordingly, it is essential for an organization to choose proper strategies in each functional area in order to form a corporate strategic plan.

2.2.1 Strategic management in marketing

Marketing is the first department in the whole organization. It is about finding customers' needs and wants. It is very crucial to use effective marketing strategy with regard to a certain organization.

Theodore Levitt said if the growth of a certain industry is threatened, slowed, or stopped is not because the market is saturated. It is because there has been a failure of management. (Levitt, 1960)

For example, the need of the railroad declined. That did not mean the need was filled by others (cars, airplanes, buses, etc.). The main reason why the need in such area declined was that they let others take customers away from themselves. They were railroad-oriented instead of transportation-oriented; they were product-oriented instead of customer-oriented. (Levitt, 1960)

According to above-mentioned instance, it can be safely concluded customer-oriented management is a sort of effective strategic management in marketing which can keep the industry growing, even if there is no obvious opportunities.

2.2.2 Strategic management in operations management

Strategic management in operations management is very essential in an organization as well. For example, Tesco, a successful supermarket in the UK, the layout for the whole site reflects a lot of strategic thinkings. They place the meat after the vegetable on shelves, because people in the UK often do the cooking by using vegetable and meat together. In addition, they always put the profitable goods on the middle shelves where customers can reach quite easily. Therefore, to choose proper strategic management in operations management can help the organization lead to success more easily.

2.2.3 Strategic management in finance

As far as the whole organization is concerned, to think strategically is significant for the growth of an organization. As for finance, the capital is a very essential element of a certain organization. Hence, it is a good idea to issue ordinary shares to raise the capital in order to think for the future. (Claire Capon, 2000)

2.2.4 Strategic management in HRM

The recruitment of employees is crucial to an organization as well. The staff with skills and abilities can provide customers with satisfactory products and services. The recruitment of employees also helps the organization achieve its strategic goals efficiently, because recruitment process selects appropriate applicants to work together in order to realize the objectives towards the strategic direction of an organization.

2.2.5 Working together

To achieve the goal of the whole organization needs the cooperation of the four main functional areas. Via analyzing the market, applying effective strategies of each functional area and coming to an agreement of a corporate strategic plan by all these functional areas, the organization put the plan which is thinking for the future into implementation at last.

3. Conclusions

Strategic management is related to the whole organization. It is concerned with four main functional areas, which are marketing, operations management, finance and human resource management. These four functional areas are integrated and are responsible for working together so as to realize the overall objectives of the organization. Thinking for the future is the core element of strategic management. As such, a good manager is not required to think operationally, but think strategically. To sum up, planning for the future is indispensable for the development and the maintenance of any organization.

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