

## CHAPTER 2

### SUMMARY OF STRATEGIC MANAGEMENT THEORY

#### 2.1 Definition Of Strategic Management

Strategy is also called strategy. It was originally derived from warfare. It means the meaning of war strategy. Ye (2011). In ancient China, strategy was an art that was related to the command of the war. In the West, strategy means military generals. With the development of history, it was further extended to the strategy used in the command of the warfare. Later, it gradually evolved into a military term (Michael, 2002).

In the 1950s and 1960s, strategy was gradually applied to the economic and market areas. The developed countries such as the United States gradually formed a mature model and traditional strategic management theory in economic development and enterprise management (Tong, 2015).

Nie (2003) Strategic management refers to the organization's strategy for the long-term development direction and goals of the company within a certain period of time. A single company is the basic unit of strategic management. The core issue of corporate strategy is the company's development strategy and direction. Fundamentally speaking, corporate strategy is to achieve its own healthy growth. Modern management science defines strategic management as enterprise strategic management including the four elements of strategic analysis, selection, implementation, evaluation, and adjustment (Lith, 2002). At the same time, strategic management can be divided into three levels: company level, business level, and functional level. Professor Andrews from the Harvard Business School in the United States believes that there are four major components of the strategy, namely, the opportunities that exist in the market, the capabilities that the company possesses, the pursuit of individual values, and its responsibility to society (Li, 2009). Among them, the company's external environment includes the two elements of opportunity and social responsibility existing in the market. The internal environment

factor refers to the company's ability and personal value pursuit. The strategy is to organize the system's behaviors that fully exert their strengths, overcome their own shortcomings, and foster strengths and avoid weaknesses, and constantly grasp opportunities and respond to a series of threats (Gu, 2014).

## **2.2 The Four Major Stages Of Foreign Strategic Management Development**

The theory of enterprise strategic management originated in the West. The study of strategic management in the Western academic community is roughly divided into the following stages (Gary, 1999):

The first stage, from the 1960s to the early 1970s, was the stage of research and formulation of strategic theory, and it focused on the organization and stressed the strategic nature of strategic management. In the analysis process, attention is paid to strategic concepts, elements and basic issues such as resource allocation. The representative theory of strategic management during this period was: Ansoff's product-market theory, four strategic choices were formed: product development, market penetration, market development and diversification strategies; Boston founder B. Henderson was The company's first product portfolio evaluation method—the BCG model theory (Gerald, 2004) .The company analyzes the market share growth and relative competitive position to find out the resources needed to develop the business; the McKinsey GE Matrix, which is based on the attractiveness and competitiveness of the industry as two variables The nine squares analysis screen: The Harvard Business School of Enmic Records, the four proposed in the book based on the advantages and disadvantages of the internal environment, through the SWOT analysis of external environmental opportunities and threats, Fred (2013) can understand the organization's internal and external environment in the shortest time Advantages and disadvantages are system tools for analysis that can objectively and fairly assess the overall situation of the organization.

The second stage was from the 1970s to the early 1980s. (Michael, 2015). This was the golden period for the development of strategic management of enterprises. The theory

of mature strategic theories continued to emerge. The core issue of theoretical research is the practical application of research, focusing on the outside of the enterprise, emphasizing the analysis of the industrial structure. The competitive strategy theory from Michael(2002)has become the main theory. (Craig, 1988).The core of the theory is the "five analysis models" put forward by him, that is, the foundation of competition, replacement, potential buyers, suppliers and competitors in the enterprise. On the determination of the five forces of analysis of the company's competitive strategy. In addition, he further proposed cost leadership, differentiation, and concentration strategies. These three business strategies complement each other in terms of competition.

The third stage was from the early 1980s to the middle of the 1990s. This period of time mainly focused on the internal resources theory, cultivated the company's core competitiveness, and analyzed the internal and external environment of the industry. (Paul, 2000). From the initial study of the economist Penrose Resources business to the concept of "core competence" of Hamel and Prahalad and the study of related theories about the capabilities of the company, they have all developed very well. And perfect. Pay attention to the production capacity and sales ability, emphasize the company's goals, social responsibility construction, brand image, which from another perspective enhances the company's competitive strength.

The fourth stage is from the mid-1990s to the present. Since companies recognize that competition in the new environment is conducive to their own survival and development, they must use strategic logic and their competitors as the center to promote cooperation between enterprises and enterprises and form a complementary basis. (George,1999) System organization. Against this backdrop, the focus of strategic management has shifted to innovation. Therefore, there are some new theories worth our attention: 1. Customer value theory. For example, Philip Kotler's customer value theory. Peter Drucker, 40 years ago, said that the current company's main job is to "create customers," and customer value has become a competition rule. 2. The strategic logical starting point. (Michael, 2006). American scholar Moore put forward the concept of commercial ecology theory in his 1996 book "The Decline of Competition", which means that the strategic theory has made new breakthroughs in thinking, and from the unique

perspective of the ecosystem, to business activities. Make a detailed description (Bai, 2008)

### **2.3 Status Quo Of Development Of Domestic Strategic Management**

In China, the introduction of the theory of strategic management is relatively late and the time for research is relatively short. Some companies introduced the concept of strategic management from the 1980s. However, with the development of our country's economy, the exploration and research of strategic management of enterprises has been deepened, and the strategic management theory has formed a huge system in the research of strategic management. At present, we have made considerable progress. (Carl, 1999) From the perspectives of theoretical and academic research, corporate diversification, resource-based theory, core competence theory, and knowledge theory, environmental factors and strategic flexibility are emphasized. Xu Erming, Licensing, Chen Jing, and others studied the basic theory of resources; Bian Yanjie and Qiu Haixiong studied the performance of enterprises from the perspective of social and developmental development; Xu Qingrui, Liu Yusheng, and others focused on the implementation strategy of corporate strategies in organizational capabilities. The corresponding systems and tactics were adopted, and a more standardized argumentation analysis was implemented; Zhu Jiang, Yin Yi, and others conducted detailed empirical research and discussion on the diversification of Chinese companies; Xi Fangmin proposed the concept of complex theory in 1989 after a long period of time. The combination of practice and theory, he has already clarified the basic ideas of the complex theory; Jane Khan right, Li Heng and other research based on the single source theory of strategic alliance; Zhao and Yu (2000) studied the humanistic positioning theory of development strategy.

On the whole, the theoretical study of domestic strategic management is the country's learning and learning from Western research trends and directions. Strategic management has begun to pay attention to certain normative methods and measures, from theoretical assumptions, determinations, to method exploration and analysis. , and then the test of results, all proved that the development of strategic management is full of application and leading. (Philip, 2002) The basic theory of strategic management originated from the West, such as the United States. Compared with China, there are

particularities in the industry's background and environmental resources, so the interpretation of the choice of the problem is not exactly analogous to the West.