

THE ROLE OF STRATEGIC MANAGEMENT IN MODERN ORGANIZATIONS

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ABSTRACT

Strategic management is the cornerstone of success in modern organizations. Effective implementation of strategic management, the formation of an organizational vision, continuous analysis and adaptation to changes in the external environment help companies not only solve today's problems but also establish a sustainable position in the future. Strategic management is the key to achieving long-term success for an organization. It encompasses environmental analysis, goal setting, strategy development, and implementation. This article explores the fundamental concepts of strategic management and its significance in the contemporary business environment.

This paper describes the strategic management process, which involves analyzing the internal and external environment, utilizing SWOT analysis, setting goals, and developing strategies. The paper also emphasizes the importance of strategic management in creating a competitive advantage for the organization and ensuring its sustainability. The article also discusses the challenges of strategic management, such as globalization, technological advancements, and sustainability requirements. Moreover, it emphasizes that strategic management is a continuous process that requires adaptation to a changing environment.

The paper also argues that strategic management is a critical component of success in modern organizations, aimed at effectively utilizing organizational resources and achieving long-term goals in a competitive environment. In today's context, strategic management is not merely about creating a long-term plan but also about continuously analyzing and adapting it to the prevailing internal and external conditions.

The author discusses the key elements of strategic management and notes that strategic analysis is one of the main stages in the process of strategy formulation. This stage involves analyzing both the internal and external environment of the organization. It is important for the organization to identify current and future trends, changes in the market, technology, customer demands, and legislation. SWOT analysis (strengths, weaknesses, opportunities, and threats) is one of the most widely used tools in this process.

It is mentioned that SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) is one of the most widely used and effective tools used during strategic analysis. This analysis helps the organization to:

- **Strengths** – Identify and realize its internal strengths, such as technological advantages, resources, experience, skills, or a good reputation.
- **Weaknesses** – Recognize the organization's internal weaknesses, such as insufficient resources, procedural chaos, or lack of adequate experience.
- **Opportunities** – Analyze external opportunities in the environment, such as market growth, the adoption of new technologies, or regulatory changes that may benefit the organization.
- **Threats** – Pay attention to external threats, such as increased competition, economic recession, or new legislation that could impact the organization's operations.

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The study also delves into the various stages of strategy formulation, including the development of the strategy itself. It emphasizes that during this phase, the organization defines its primary objectives, directions, and aspirations. This may encompass expansion strategies, introducing new products or services, or diversifying operations. The strategy outlines the activities that enable the organization to compete and solidify its position in the market.

Furthermore, the study analyzes that strategy implementation is more than just a plan; it requires concrete actions. This process involves allocating resources, making decisions, and achieving specific objectives. For successful implementation, it is essential that all members are well-informed and that continuous monitoring is in place.

The article also delves into the challenges faced by strategic management, such as globalization, technological advancements, and sustainability requirements. Moreover, it emphasizes that strategic management is an ongoing process that necessitates adaptation to a dynamic environment. The significance of strategic management in creating a competitive advantage and ensuring the organization's sustainability is underscored.

Keywords: Strategic management, Strategies, Environmental analysis, -Goal setting, Organizations, Globalization, Technological development.

INTRODUCTION

In today's dynamic and ever-changing business environment, organizational success hinges on the ability to adapt and anticipate future challenges. In this context, strategic management serves as a compass for organizational development, ensuring the achievement of long-term goals and a competitive advantage. Strategic management is a systematic process that encompasses environmental analysis, goal setting, strategy formulation, implementation, and evaluation. It is a dynamic process that requires continuous adaptation to a changing environment. When effectively implemented, strategic management not only contributes to an organization's profitability but also enhances its sustainability and enables it to successfully navigate challenges.

Strategic management plays a pivotal role in this process, serving as a compass for organizational development, facilitating the achievement of long-term goals, and fostering a competitive advantage. This research aims to investigate the significance of strategic management and explore effective implementation strategies to uncover how this process can contribute to organizational sustainability and success.

The research will be both theoretical and practical in nature. It will review the components of strategic management, including environmental analysis, goal setting, strategy formulation, and performance evaluation, and analyze how organizations can effectively utilize and adapt these components. Furthermore, the research will illuminate the dynamics of the strategic management process and its role in enabling organizations to not only overcome current challenges but also successfully navigate the unpredictable complexities of the future.

The implications of this research encompass novel approaches and ideas in strategic management that will assist organizations in successfully developing their operations, addressing global and local challenges, and achieving sustainable success, thereby enabling them to maintain their sustainability and competitive advantage.

MAIN PART

Strategic management covers various topics and approaches, with each component involving separate processes that are carried out based on specific goals and resources.

The effectiveness of strategic management is crucially dependent on strategy formulation, which involves a system of planned actions aimed at achieving the organization's long-term goals. The strategy must be adapted to both the internal and external environments.² The process should include studying market trends, researching competition, and analyzing economic, political, and technological factors, as organizations must evaluate and define existing realities and identify potential development opportunities. Strategy formulation inherently involves setting the organization's goals, during which it is important to adhere to SMART (Specific, Measurable, Achievable, Relevant, Time-bound) criteria, ensuring clarity of goals, their relevance, and effective monitoring of the process. Defining goals is also significant because it allows for the development of specific strategies that align with the organization's mission and resources.

Strategy formulation begins with the analysis of the external environment, which is one of the central elements in the process of organizational strategic development. It allows for the identification of market trends, the level of competition, and the assessment of the impact of economic and political factors. External environment analysis is an essential process for any organization to correctly examine the external factors that may influence its activities and strategies. When a company properly studies and analyzes the external environment, it can better forecast potential problems, plan long-term strategies, and identify new opportunities.³

External environment analysis is a crucial part of the strategic management process, which involves studying and evaluating factors outside the organization that may impact its operations, strategy, and long-term goal achievement. The process aims to help the organization correctly perceive external changes and enhance its ability to adapt to them.

² "Strategic Management - Concepts and Situations", Fred R. David, Forrest R. David, Georgian translation of the fifteenth edition, 2018. 756 pages;

³ Denise Lindsey Wells, Strategic Management for Senior Leaders: A Handbook for Implementation, (2015).

External environment analysis includes both the micro-framework (directly related to the industry) and the macro-framework (which involves studying broader conditions such as tax, economic, cultural, and political factors). The goal of this process is to provide the foundation upon which a sustainable and effective strategy can be built. The main components of external environment analysis include:

1. **Political and Legal Environment** - The organization's activities are often dependent on political and legal conditions. This includes government policies, reforms, legislation, labor laws, and regulations that directly affect the organization's operations. For example, regulations related to labor rights, environmental protection, or tax policy may change and significantly impact market operations.
2. **Economic Environment** - This involves analyzing factors such as economic growth, inflation, exchange rates, unemployment levels, market conditions, and other economic parameters. Any economic changes, such as a recession or economic boom, can affect demand for products, production processes, and consumer expectations. The economic environment defines an organization's cash flow and its decisions regarding revenue and expense optimization.
3. **Sociocultural Environment** - The social and cultural environment represents significant factors for the organization's operations, as it includes societal values, behaviors, trends, and social expectations. Changes in social norms, cultural attitudes, and lifestyle can have a profound impact on market demands and consumer preferences. For instance, an increased trend towards healthy living can lead to a growing demand for organic products and a shift in consumer preferences toward products without harmful ingredients.
4. **Technological Environment** - Technological progress continuously changes the industrial and business landscape. New technologies create opportunities in new markets but also present challenges, such as the rapid pace of technological innovation, automation, data analysis, and digital transformation. Technological changes affect not

only production processes but also ways of communicating with consumers. Organizations must respond promptly to these technological and innovation changes.

5. **Environmental Environment** - In today's world, environmental factors such as environmental protection, climate change, natural resource conservation, and sustainability initiatives are becoming increasingly important. Businesses must comply with ecological impact regulations and environmental laws, as this influences operations management, consumer expectations, and company reputation. Sustainability and social responsibility are also becoming critical in business strategies.
6. **Global Environment** - In the context of globalization, external environment analysis also includes international factors. These are defined by global market trends, international trade, foreign investments, and other global factors that impact organizational activities. Global competition, cultural and economic differences, international legal acts, and economic relations are critically important for organizations' strategic planning.

Effective strategic management requires a thorough analysis of the organization's internal environment. Through this process, the organization assesses its resources, competencies, and unique capabilities. Proper allocation of resources is also crucial for the implementation of an effective strategy. SWOT analysis is one of the most widely used and effective tools for strategic planning, which includes an assessment of strengths, weaknesses, opportunities, and threats.⁴

Internal environment analysis allows the organization to determine its internal condition, assist in goal setting, and improve the decision-making process for strategic choices. If an organization correctly analyzes its internal resources and competencies, it will be better positioned to develop effective strategies to overcome both internal and external challenges. Internal environment analysis is a crucial part of the strategic management process, which involves a detailed evaluation of an organization's internal

⁴ Philip Kotler, and Kevin Lane Keller. *Marketing Management*. 15th ed. Upper Saddle River, NJ: Pearson Education, 2015.

resources and capabilities. This analysis aims to understand how the organization can leverage its strengths, competencies, and unique abilities to achieve its strategic objectives. The process of internal environment analysis is essential for the organization to accurately assess its current state, explore available opportunities, and implement actions that ensure long-term success. The main components of internal environment analysis include:

1. **Production Resources** - Resources are the factors necessary for the organization's operations. These can be physical (such as assets, technology, infrastructure), financial (credit capacity, capital, revenues), human resources (skilled workforce, management, leadership), and intellectual resources (e.g., brand names, patents, reputation). Each resource defines the organization's capabilities and operational effectiveness.
2. **Capabilities** - A capability is an organization's ability to effectively utilize its resources to gain a competitive advantage. Capabilities include unique skills that are focused on effectively managing processes, technologies, or other operational aspects. Organizations often identify their strongest capabilities, which give them an edge in their industry.
3. **Organizational Culture** - Organizational culture defines the values, beliefs, norms, and behavioral rules that guide the members of the organization. Culture influences how communication flows, how decisions are made, and how employees work together as a team. A strong, positive culture helps the organization achieve its strategic goals because employees recognize and share the company's values and objectives.
4. **Financial Position** - The organization's financial position represents its potential to achieve strategic goals. Financial reports, profits, resource allocation, assets, and liabilities are all crucial components of internal environment analysis. Assessing the financial position involves examining financial stability and profitability to determine whether the organization has sufficient resources and capabilities for implementing its strategies.
5. **Processes and Operations** - These refer to the internal workflows of the organization, relating to the planning, organization, execution, and control of work processes.

Efficient processes and operations help the organization perform its duties quickly and cost-effectively, achieving maximum efficiency. Analyzing the organization's internal processes helps managers identify areas for improvement and cost reduction.

6. **Technological Capabilities** - The level of technological development and capabilities plays a significant role in internal environment analysis because, in today's world, technology is a leading factor that defines both product development and improvements in operational efficiency. An organization that invests in updating and integrating new technologies becomes more competitive and sustainable.
7. **Organizational Structure and Management** - The organizational structure defines how authority and responsibilities are distributed within the organization. A well-organized and efficient structure facilitates the smooth flow of information, quick decision-making, and effective management implementation. The quality of management, leadership style, and team management also significantly impact the organization's internal environment.
8. **Competitive Advantage** - Another important part of internal environment analysis is the organization's competitive advantage, which determines why the organization is competitive and what unique advantages it has compared to other players. If an organization successfully adapts to market demands, effectively uses its resources, and provides high-quality services or products, it will be more competitive.

The effectiveness of strategic management and the achievement of strategic goals depend on the development of a comprehensive strategy, which is possible only through a thorough analysis of the competitive environment. This analysis should clearly define the current state of the industry, and strategic decisions must be made considering both external and internal factors of the organization. Porter's Five Forces model helps organizations better understand the specific characteristics of an industry and develop strategies for achieving success in the market. The model affirms that strategic decisions

should not only rely on internal resources and capabilities but also on an overview of the industry and external factors.⁵

- **Reducing Competition:** Organizations should choose strategies that allow them to significantly reduce existing competition, such as through product or service uniqueness or pricing strategies.
- **Creating Barriers to Entry:** Companies should invest in and take strategic actions that create difficulties for new entrants to the industry, such as building brand awareness or establishing high entry barriers.
- **Managing Supplier and Customer Relationships:** Companies need to establish strong relationships with their existing suppliers and customers to minimize price pressures and eliminate additional costs.
- **Collaboration Strategies:** To mitigate the threat of substitutes in the industry, organizations can develop collaboration strategies or innovative approaches that allow them to protect themselves from competition.

Michael Porter's "Five Forces Model" is one of the most famous and widely used frameworks for industry analysis. Porter first introduced this model in his 1979 book *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, and it has since become a key tool in strategic management. The model aims to analyze an industry and help organizations understand its competitiveness, the factors that determine its profitability, and how companies should make strategic decisions in this environment.

Porter's Five Forces explains the factors that can influence an industry's profitability. The model consists of the following elements:

1. **Industry Rivalry** - This force describes the existing competition within the industry. When competition is strong, companies must fight for each customer, increase market share, and maximize profits. Typically, industries with many players are more competitive, leading to price cutting and service improvements, which ultimately

⁵ Shalva Machavariani, "Fundamentals of Management, Theories, Concepts and Practical Approaches", (2014), Tbilisi, "Si-Gies" Publishing House, TB, 625 pages.

negatively affect profits. The number of organizations operating in the same sector directly impacts competitiveness and the pricing process.

2. **Threat of New Entrants** - The threat of new entrants directly affects market stability and pricing. If new entrants face low barriers to entry, it can intensify competition and reduce market share for existing players. High entry barriers, such as large initial capital requirements, brand recognition, or regulatory constraints, create difficulties for new competitors, thereby protecting the positions of established players.
3. **Bargaining Power of Suppliers** - The bargaining power of suppliers depends on the number of suppliers in the industry and how essential their products or services are to organizations. If there are few suppliers and no direct competition, they have the leverage to demand higher prices. As a result, companies may face higher costs or lower profit margins.
4. **Bargaining Power of Buyers** If there are many buyers in the market with a wide range of options, they seek the lowest prices and the highest quality products. In such cases, buyers act as a force in determining prices. When there is strong demand or concentrated power (e.g., a few large clients), companies may have to make concessions and lower prices, which can result in weaker pricing structures and reduced profits.
5. **Threat Substitution** This force concerns the constant threat of new products or services that might be superior or cheaper. When substitute products or services become available, organizations must become more competitive or further refine their offerings to maintain their market position. The threat of substitutes has a significant impact on industries dependent on technological advancements and changes in consumer behavior.

Strategic planning involves several important stages that ensure the achievement of an organization's goals. The first stage of strategic planning is for the organization to study both the internal and external environment. This includes analyzing market trends, competition, technological, and economic changes. The goal of environmental analysis is to gather the necessary information to develop future plans.

The next stage is goal setting, where the organization must define short- and long-term goals, identifying the direction in which the organization plans to develop. Goals should follow the SMART criteria (Specific, Measurable, Achievable, Relevant, bound).

Strategy formulation involves planning specific actions that align with the organization's goals. At this stage, strategic choices are made, and available resources are utilized effectively.

During strategy implementation, the organization carries out specific plans. This includes managing human resources, allocating financial resources, and effectively managing operational processes. Controlling strategy implementation and making necessary adjustments are important parts of this process.

The evaluation and control stage aims to monitor the strategic management process, compare results with set goals, and adjust strategies if necessary. This ensures that the organization can overcome any challenges and succeed in its field.

The principles and approaches of strategic management vary across different types of organizations, depending on their functions and goals.

For-profit organizations, such as corporations and other businesses, primarily aim for growth, increasing market share, and connecting with potential customers. In these organizations, strategic management is typically focused on financial profitability, service or product innovation, and constant operational efficiency.

Non-profit organizations, such as charities and NGOs, are often more focused on social goals rather than financial profit. In these organizations, strategic management involves the effective allocation of resources and maximizing social impact.

Government organizations often operate under stricter regulations, but strategic management is still essential. Their strategies primarily focus on improving public services, increasing efficiency, and fulfilling legal priorities.⁶

⁶ Charles W.L.Hill, R. Jones Gareth. *Strategic Management: An Integrated Approach*. 12th ed. Boston: Cengage Learning, 2013.

In today's globalized world, strategic management faces numerous challenges and emerging trends:

- **Technological Changes:** The rapid development of technology and the emergence of new platforms require organizations to quickly adapt and implement innovative strategies.
- **Globalization:** The globalization of markets presents additional challenges, as organizations must interact with diverse cultures and economies.
- **Price Reevaluation:** In today's global economy, prices and resource distribution are frequently changing, significantly limiting the scope of strategic decision-making.
- **Social Strategies:** Environmental and social responsibility has become an important trend that businesses and non-profit organizations are increasingly embracing.

Strategic management in modern organizations is a powerful tool that determines their success and long-term development. It is crucial for organizations to continuously improve their strategic management processes and adapt to the rapidly changing environment.

CONCLUSION

Strategic management is one of the key factors determining long-term success for modern organizations. A well-chosen and effectively implemented strategy enables organizations to remain competitive and successfully adapt to the constantly changing environment. The strategic management process, which includes environmental analysis, goal setting, strategy formulation, and performance monitoring, ensures the stability and efficiency of the organization. Although strategic management is based on the same principles, its implementation varies depending on the type of organization and its operational field.

The future development of strategic management is linked to technological innovations, globalization, and the strengthening of sustainability principles. The integration of new technologies such as artificial intelligence, data analysis, and digital transformation will bring changes to strategic management practices, enabling organizations to make faster decisions and better adapt to environmental changes. Globalization and expansion into

international markets require more attention to international strategies, taking into account cultural and political factors, which help in making sustainable decisions.

Economic success alone is no longer sufficient; social and environmental responsibility is also becoming an important component. Organizations are required to develop sustainable strategies that respond to environmental and societal changes. In this way, the future of strategic management will focus on technological, global, and sustainability aspects, enabling organizations to manage and develop their strategies effectively in a rapidly changing world.

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