

Strategic Management: Analysis of the Influence of Influence Factors on Company Performance

Syah Abadi Mendrofa¹, Toga Sehat Sihite², Andi Asrijal³, Saida Zainurossalamia⁴, Asnawati⁵

Universitas Nias, Indonesia¹

Universitas Simalungun, Indonesia²

Universitas Cahaya Prima, Indonesia³

Universitas Mulawarman, Indonesia^{4,5}

E-Mail: syahabadi.mendrofa@gmail.com, togasehatsihite@gmail.com, andiasri1397@gmail.com, saida.zainurossalamia.za@feb.unmul.ac.id, asnawati@feb.unmul.ac.id

Correspondence Authors: Syah Abadi Mendrofa (syahabadi.mendrofa@gmail.com)

Article history: received May 20, 2024; revised June 06, 2024; accepted June 07, 2024

This article is licensed under a Creative Commons Attribution 4.0 International License



Abstract

This study aims to investigate the impact of implementing strategic management on the performance of PT XYZ, an important provider of electricity services in the industry. Intense competition, dynamic changes in the business environment, and customer needs demand the adoption of effective strategies. This research employs qualitative methods and a case study approach at PT XYZ. Data were gathered through in-depth interviews with company management and analysis of internal documents, as well as direct observation of operational activities. The findings of this study demonstrate that the implementation of efficacious strategic management exerts a positive influence on the efficacy of PT XYZ. By adopting a lucid and well-defined strategy, the company is capable of optimising the utilisation of its resources, augmenting its competitive edge, and fortifying its client relationships. Furthermore, strategic management enables companies to identify and address the risks inherent to their operational activities.

Keywords: *industry, management, company*

INTRODUCTION

A business entity is defined as an organized group of individuals or entities established with the intention of achieving maximum profitability for its stakeholders. Business success can be reflected by the development of tangible assets and turnover, profitability, and business profitability. In order to achieve these goals, businesses must possess the ability to maintain or increase market share over an extended period of time, thus allowing them to generate significant profits. To effectively manage a business, the field of management science is employed. The purpose of this field is to optimize the utilization of existing resources to achieve the set goals. As a discipline, management science has undergone considerable evolution, developing into a diverse array of specializations. These include marketing management, human resource management, financial management, operational management, and numerous other niche studies. Notably, strategic management has emerged as a prominent subdiscipline within the broader field of management science.

Strategic management is an inextricable part of management science. Its existence is a solution that enables the systematic and comprehensive realization of a company's or organization's vision and mission. This strategic management responds to the occurrence of changes or dynamics in the company's or organization's external and internal environment. It is followed by efforts to adapt to these changes in order for the company's or organization's goals to be realized. To conclude, the Strategic Management process of an organization entails the development of a business vision and mission, the identification of external threats and opportunities, the assessment of internal strengths and weaknesses, the establishment of long-term goals, the evaluation of alternative strategies, and the selection of an appropriate strategy for implementation.

Literature Review:

The strategic management process refers to a series of steps or stages undertaken by an organization to develop and implement effective strategies with a view to achieving its long-term objectives. This process comprises the analysis of the external and internal environments, the selection of appropriate strategies, their implementation, and an evaluation of the performance of the organization in question (David, 2017)

The external environmental analysis is typically conducted by organizations that assess external factors that may influence organizational performance and strategy. These factors encompass changes in market trends, government policies, technological advancements, and competitor activities. This analysis enables the organization to identify potential opportunities and challenges in the external environment.

The internal environment analysis, in contrast, focuses on the internal strengths and weaknesses of the organization, which can be assessed in terms of organizational resources, organizational structure, corporate culture, and employee capabilities and skills. This analysis helps the organization to identify internal strengths that can be utilized and weaknesses that need to be improved.

Following the analysis of both internal and external environments, the organization is then able to formulate a suitable strategy for achieving its long-term goals. These strategies include, among others, selection of appropriate market segments; differentiation, development and positioning of products or services; competitive advantage and development of relevant resources and capabilities. Once the aforementioned strategies have been formulated, the organization then proceeds to implement them through the allocation of appropriate resources, tactical planning and the establishment of a supportive organizational structure. The successful implementation of these strategies requires the coordination of all parts of the organization, and therefore, the involvement of all relevant parties. The organization conducts periodic performance evaluations to ensure that the implemented strategies achieve the desired results. This evaluation involves monitoring performance, measuring against predetermined goals, and implementing improvements and controls when there is a discrepancy between actual performance and expected performance (Thompson, A. A., Peteraf, M. A., Gamble, J. E., & Strickland III, 2019).

The strategic management process is a tool utilized by businesses to navigate change and challenges within the business environment. By following a defined set of stages, organizations are better equipped to identify opportunities, mitigate risks, and formulate relevant strategies to achieve their desired competitive advantage and long-term goals.

The necessity for effective strategies that allow organizations to remain relevant and competitive in a competitive business world is clear. The strategic management process offers a systematic and purposeful framework for strategic decision-making. By understanding this process, it becomes possible for organizations to identify opportunities and threats that exist in the external environment, as well as to manage their internal strengths and weaknesses. (David, 2017)

Through the analysis of the external and internal environment, organizations can identify key factors that may influence the success of their strategy. With a deep understanding of the business environment, organizations can formulate strategies that align with their specific needs and conditions. Additionally, good strategy implementation and effective control are essential for achieving organizational goals. Periodic performance evaluation enables organizations to monitor the progress of their strategies and make adjustments, if necessary (Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, 2017).

The term "strategic management process" refers to a sequence of steps or activities carried out by an organization with the aim of formulating and implementing its long-term strategy. This process entails identifying organizational objectives, analyzing both external and internal environmental factors, selecting suitable strategic alternatives, implementing these strategies, and evaluating the performance of the organization.

The strategic management process assists an organisation in understanding its positioning in the market, identifying potential opportunities and risks in the external environment, and managing its internal strengths and weaknesses. By utilising a systematic framework, the organisation can formulate appropriate strategies to achieve its long-term goals.

METHOD

The research methodology employed was qualitative, employing the techniques of observation, interview, and document analysis. The data for the study was derived from in-depth interviews, observation, and documentation. The research was conducted between March and July 2023 at PT XYZ. The sample size consisted of five informants, comprising three company leaders or directors and two company commissioners. The researcher serves as an instrument in this study, utilizing an interview guide, stationery, and a recording device.

The data collection methods employed in this study are primary and secondary data. Primary data consist of direct observation data, interview results, as well as documentation (photos and documents). In contrast, secondary data encompass company profiles and manuals. The analytical technique employed in this research is a descriptive narrative approach, which entails the reduction, presentation, and verification of data, as well as the formulation of conclusions.

RESEARCH RESULTS AND DISCUSSION

The results of in-depth interviews conducted by researchers indicate that the strategic management employed by PT XYZ is of significant importance for the long-term business objectives and the sustainability and growth of the company. The strategic management process begins with the establishment of the company's vision and mission. The vision provides long-term direction on the company's goals, whereas the mission formulates the core objectives and values of the company. The next step is to analyze the company's external and internal environments, which involves the assessment of external factors, such as industry trends, regulations, competition, and market opportunities. Internal analysis, on the other hand,

entails the evaluation of the company's internal strengths and weaknesses, including human resources, technical expertise, and operational capabilities. The external environmental analysis involves the understanding of industry trends, regulations, competition, and market opportunities. In contrast, the internal environment analysis entails the evaluation of the company's internal strengths and weaknesses, such as human resources, technical expertise, and operational abilities.

Based on the findings of the environmental analysis, an effective competitive strategy can be formulated. This strategy should consider the company's competitive advantages, such as strong technical expertise, superior quality of work, or a solid network of business relationships. The next step is to formulate tactical and operational plans that will achieve the strategic objectives. In order to do so, it is necessary to establish goals, allocate resources, and develop detailed action plans for each function and department of the company.

It is crucial to have in place an effective performance measurement system to monitor the progress and success of strategy implementation. To achieve this, relevant key performance indicators (KPIs) must be established to monitor the achievement of strategic targets and provide valuable feedback to the management team. Strategy implementation frequently entails organizational changes, and thus, effective change management must be in place to ensure that employees accept and adopt the new strategy. This process requires effective communication, employee engagement, training, and proper management support.

Regular evaluation of the current strategy enables the company to identify any shortcomings, weaknesses, and opportunities for improvement. Should any be identified, the strategy can be updated or adjusted to reflect the changing market and organisational circumstances. The strategy of PT XYZ is based on the following six objectives.

The strategic management of PT XYZ is designed to establish a competitive advantage that differentiates the enterprise from its competitors. By identifying and leveraging the strengths inherent within the company, an effective strategy can generate additional value for customers, including high-quality work, timely project completion, and superior customer service. PT XYZ can optimise the utilisation of its resources, including human resources, equipment, and capital. This enables the company to enhance operational efficiency, reduce costs, and enhance productivity, thereby effectively achieving its business objectives.

Strategic management facilitated PT XYZ's identification of prospective growth opportunities within the electrical contracting sector. The formulation of an optimal expansion strategy enabled the company to pursue larger contracts, expand into new geographical markets, or pursue more ambitious projects. The objective is to achieve sustainable growth, strengthen the company's market position, and enhance its competitive advantage.

The formulation of strategic management initiatives that prioritise customer needs and expectations can facilitate the delivery of superior solutions, the reduction of defects, and the enhancement of service quality, thereby enabling long-term customer relationship building and the enhancement of the company's reputation within the industry. Strategic management also assists PT XYZ in the identification and the management of risks associated with business operations. The implementation of a comprehensive risk analysis allows the company to implement appropriate preventative measures and to mitigate the risk of project failure, thus ensuring business continuity in the face of market changes.

The implementation of strategic management enables PT XYZ to pursue innovative solutions that align with technological advancements and industry-wide trends. This strategy aims to enhance the company's relevance in the medium and low-voltage electrical contracting industry by adopting best practices. Potential innovations may include the integration of advanced technologies, the introduction of sophisticated information systems, or the development of more sustainable and cost-effective solutions.

The Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis is an evaluation method that assesses both internal and external factors affecting the performance of a company. PT XYZ has extensive expertise and experience in the installation, maintenance, and repair of medium and low voltage electrical systems. Furthermore, PT XYZ is known for providing high-quality work and adhering to strict safety standards. PT XYZ is staffed by a highly skilled and experienced team that can efficiently and accurately manage electrical projects. Additionally, the company has established connections and relationships with suppliers and business partners, enabling it to provide support during project operations and delivery.

PT XYZ's greatest weakness is its reliance on human resources, particularly on the skills and knowledge of certain individuals. This makes it vulnerable to the risk of losing key employees. PT XYZ lacks sufficient resources, such as adequate manpower and equipment, which may prevent it from accommodating high project demand or large projects within the specified time. Additionally, PT XYZ is geographically constrained, which may result in the company missing business opportunities in other areas with higher growth potential.

There is a growing demand for medium voltage and low voltage electrical contracting services, which will likely continue to increase as infrastructure and industry develop. Furthermore, the adoption of renewable energy sources such as solar panels and wind turbines will open up new opportunities for the company in the installation and maintenance of these systems. Strict government regulations related to energy efficiency and emissions may also drive demand for the company's services to modernize existing electricity systems.

The most significant challenge currently facing PT XYZ is the intense competition within the medium- and low-voltage electricity contracting industry. This is both from domestic and international companies alike. Furthermore, technological

advancements, such as the increasing use of IoT and automation in the electricity industry, can alter customer requirements. As a result, companies are obliged to remain abreast of developments and adapt their knowledge and skills accordingly. Another key area of concern is financial risk, where fluctuations in the prices of raw materials, labor costs, and delays in payments can have a detrimental impact on cash flow.

The external environment of PT XYZ within the context of strategic management pertains to factors external to the organization that have the capacity to influence the company's strategic decision-making process. The external environment exerts a considerable influence on the planning, development, and implementation of an organization's strategy.

In strategic management, a profound comprehension of the external environment is of paramount importance, as these factors can engender opportunities or present threats to the company. Some pivotal aspects that must be taken into account in the nexus between the external environment and strategic management include (Johnson, G., Whittington, R., & Scholes, 2017).

The external environment provides information concerning market trends, consumer needs, and alterations in customer preferences. By grasping this environment, companies are able to recognize new business opportunities and develop strategies to capitalize on them. This encompasses competitors in the same industry. An awareness of existing competition enables companies to devise effective strategies to maintain or enhance their market share. Competitor analyses also assist companies in understanding the relative strengths and weaknesses of rivals, as well as anticipating their future moves.

The external environment is subject to rapid changes, such as those related to technological developments, regulatory changes, or shifts in consumer preferences. In order for companies to maintain relevance and competitiveness in the market, it is necessary for them to remain abreast of such changes and adjust their strategies in a timely manner. However, this process can also present challenges for companies, including changes in government policies or the emergence of substitute products or services. By gaining an understanding of the external environment and the factors influencing it, companies can anticipate potential threats and take appropriate measures to mitigate the risks that may arise.

A profound comprehension of the external environment enables the development of adaptive, innovative, and responsive strategic frameworks that facilitate the maintenance of competitive advantage and the achievement of long-term objectives.

Moreover, an analysis of the external environment allows for the identification of social, political, economic, and technological factors that could potentially impact a company's strategic approach. By developing an in-depth understanding of the external environment, companies can conduct comprehensive risk analyses, anticipate emerging market trends, and respond to changes in a timely and effective manner.

In strategic management, several analytical tools are utilized to understand the external environment. These tools include PESTEL analysis, Porter's five forces analysis, and SWOT analysis.

PESTEL analysis is a tool that assesses the external environment based on six factors: political, economic, social, technological, environmental, and legal. It is used to identify potential risks and opportunities in a given context. Porter's five forces analysis is another analytical tool used to assess a company's external environment and its position within it. It identifies the competitive forces that shape the industry, including the threat of new entrants, the bargaining power of suppliers, the bargaining power of customers, the threat of substitutes, and the competitive rivalry between existing competitors. Finally, SWOT analysis is a tool used to evaluate the strengths, weaknesses, opportunities, and threats of a given situation. It helps managers identify

The significance of comprehending the external environment in the context of strategic management is to facilitate the formulation of superior strategic decisions, the establishment of long-term objectives, the identification of business opportunities, the anticipation of threats, and the optimization of overall company performance.

In the context of a dynamic external environment, companies must adopt a proactive and responsive approach to changes that occur. By leveraging insights and information about the external environment, companies can identify new opportunities, anticipate threats, and develop competitive strategies. In this case, the external environment becomes a crucial factor in the company's strategic decision-making process.

The external environment in the context of strategic management refers to factors external to the company that can influence its operational and strategic activities. The external environment encompasses a range of elements, such as economic, political, social, technological, and legal factors, which can impact the performance and success of the company. In strategic management, a thorough comprehension of the external environment is essential for identifying opportunities and challenges that the company may encounter. The external environment can present both opportunities for business growth and risks and challenges that must be overcome.

It is imperative for companies to engage in continuous analysis of the external environment in order to comprehend the evolving landscape and implement appropriate strategies in response. By monitoring economic trends, changes in government regulations, technological advancements, and customer preferences, companies can anticipate shifts in the market and adapt their business strategies in a timely manner.

The significance of attending to the external environment in strategic management is to optimize existing opportunities and mitigate potential risks. By grasping the external environment, companies can devise and implement strategies that are pertinent, enduring, and competitive. (Grant, 2019)

The internal environment, as it pertains to strategic management, is defined as the array of internal elements present within an organization that exert an influence on the formulation and implementation of business strategies. The internal environment encompasses a spectrum of elements, including the resources, capabilities, organizational structure, corporate culture, and business processes that exist within a company.

In strategic management, a thorough grasp of the internal environment is crucial for identifying the company's strengths and limitations. The former encompasses assets, competencies, and competitive advantages that the company possesses, whereas the latter encompasses any shortcomings or constraints that can influence the company's performance.

An internal environmental analysis assists companies in evaluating their resources, including human resources, technology, capital, and brand. By comprehending their internal strengths and weaknesses, companies can ascertain their competitive advantage and utilize this information to devise appropriate strategies.

Furthermore, an understanding of the organizational structure and corporate culture is crucial in strategic management. An effective and adaptable organizational structure can facilitate the successful implementation of strategies, while a corporate culture that fosters innovation, collaboration, and the capacity to adjust to change can influence the efficacy of business strategies.

It is of great importance in strategic management to pay close attention to the internal environment, with a view to maximizing existing strengths and addressing weaknesses that could otherwise limit the company's overall performance. The effective utilization of internal resources and competencies can facilitate the development of strategies that are aligned with the specific conditions and objectives of a given business (Simatupang, T. M., & Sitorus, 2017).

Strategic management defines the internal environment as the elements within an organization that influence the planning and execution of business strategies. This encompasses a multitude of aspects, such as human resources, organizational structure, corporate culture, and internal systems and processes that are intrinsic to the company.

A comprehensive understanding of an organization's internal environment is crucial to identify its strengths and weaknesses. Strengths encompass tangible assets, competencies, and competitive advantages that an organization may possess; conversely, weaknesses are defined by inherent limitations or obstacles that may hinder its operational effectiveness.

An internal environmental analysis allows a company to evaluate its resources, including human resources, technology, capital, and brand equity. The analysis enables a company to identify its internal strengths and weaknesses, which in turn allows the identification of areas where it has a competitive advantage and the identification of any limitations on its performance.

The process of developing and formulating an action plan to achieve organizational goals is known as strategy formulation in the context of strategic management. The process of strategy formulation involves an analysis of the internal and external environments, the identification of long-term goals, the determination of general strategies, and the allocation of appropriate resources (David, 2017).

In the context of strategy formulation, an organization evaluates information about its external and internal environments with the objective of identifying opportunities and challenges. Subsequently, the organization employs this information to devise efficacious strategies that will enable it to attain a competitive advantage and achieve the desired business objectives.

The process of strategy formulation entails a series of steps, including the analysis of external factors that can potentially impact the organization. These factors encompass a range of elements, including economic, political, social, technological, and industrial environmental factors. The evaluation of the organization's internal resources, capabilities, strengths, and weaknesses is undertaken in order to gain an understanding of its position and potential. The organization must set long-term goals and specific objectives that it wishes to achieve. The selection of a general strategy that is most conducive to the achievement of the organization's goals. These may include, but are not limited to, growth strategies, differentiation strategies, market penetration strategies, or other strategies. The optimal allocation of resources must be determined to support the implementation of the chosen strategy (Pearce, J. A., & Robinson, 2021).

The formulation of strategy is of paramount importance in the field of strategic management, as it serves as the foundation for strategic decision-making and provides direction for the organization in attaining a competitive advantage.

In the strategic management process, the formulation of strategies plays an important role in directing the organization's goals and actions. Strategy formulation entails a comprehensive examination of the organization's external and internal environments, coupled with the formulation of an effective action plan aimed at achieving a competitive advantage.

The internal environment refers to those factors that exist within the organization and can influence the strategy adopted, which is defined as a plan of action designed to achieve a competitive advantage. These include organizational resources, organizational structure, organizational culture, operational systems, and management capabilities. In the context of strategic management, an analysis of the internal environment helps to identify the strengths and weaknesses of the organization that may affect the success of the strategy.

By understanding its internal environment, an organization can evaluate its resources, including employee skills, technology, and physical assets. This enables the organization to identify its strengths, which can be leveraged as competitive advantages, as well as its weaknesses, which require improvement or remediation. Furthermore, the internal

environment encompasses an evaluation of the organization's structure, culture, and existing systems. These elements can influence the organization's capacity to implement effective strategies.

In the context of strategic management, a comprehensive understanding of an organization's internal environment facilitates more informed decision-making in the formulation of strategies. This enables the organization to leverage its internal strengths and address existing weaknesses, thereby enabling the development of strategies that align with its circumstances and potential (David, F. R., & David, 2021).

CONCLUSIONS

Strategic management is an effective instrument to achieve a competitive advantage, which is defined as a position of superiority in the marketplace. This superiority is derived from the ability of a company to utilize internal strengths and identify market opportunities. The formulation of relevant and appropriate strategies enables a company to optimize the use of resources, thereby improving operational efficiency and reducing costs, while increasing customer satisfaction by offering high-quality solutions, timely project delivery, and superior customer service. Strategic management enables companies to identify risks and implement appropriate preventive measures, thereby improving risk management and enhancing business continuity in the context of market and regulatory changes. By focusing on innovation and customization, the company can remain abreast of technological developments and industry trends, expanding its market reach and enhancing its reputation in the power industry.

REFERENCES

- A.B., S. (2014). *Manajemen Strategik Komprehensif, Edisi ke 4*. Jakarta. Erlangga. Erlangga.
- Aryaningsih Ni Nyoman. (2018). *Ekonomi Manajerial, Cetakan 1*. Media Nusa Creative.
- Barney, J. B., & Hesterly, W. S. (2020). *Strategic management and competitive advantage: Concepts and cases*. Pearson.
- David, F. R. (2017). *Strategic management: Concepts and cases*. Pearson.
- David, F. R., & David, F. R. (2021). *Strategic Management: A Competitive Advantage Approach, Concepts and Cases (17th ed.)*. Pearson.
- Grant, R. M. (2019). *Contemporary strategy analysis: Text and cases edition*. John Wiley & Sons.
- Hill, C. W. L., & Jones, G. R. (2018). *Strategic management: An integrated approach*. Cengage Learning.
- Johnson, G., Whittington, R., & Scholes, K. (2017). *Exploring Strategy: Text and Cases*. Pearson.
- Natasya Priscilla, D. (2013). Analisa Pengaruh Strategic Planning Terhadap Keunggulan bersaing dan Kinerja Perusahaan. *Jurnal Business Accounting Review, Vol 1 No 2., Hal 185-196*.
- Pearce, J. A., & Robinson, R. B. (2021). *Strategic Management: Planning for Domestic and Global Competition (16th ed.)*. McGraw-Hill Education.
- Simatupang, T. M., & Sitorus, T. M. (2017). *Manajemen Strategis: Panduan Praktis Menghadapi Era Persaingan Global*. Salemba Empat.
- Thompson, A. A., Peteraf, M. A., Gamble, J. E., & Strickland III, A. J. (2019). *Crafting & executing strategy: The quest for competitive advantage: Concepts and cases*. McGraw-Hill Education.
- Thompson, A. A., Peteraf, M. A., Gamble, J. E., & Strickland III, A. J. (2019). *Crafting & executing strategy*. Crafting & executing strategy.
- Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, C. E. (2017). *Strategic management and business policy: Globalization, innovation, and sustainability*. Pearson.