

Implementation of Strategic Management in Improving Organizational Performance in Manufacturing Companies

Nilatrisusanti^{1*}, H. Arifuddin², Fauziah Umar²

¹Master of Management, Hasanuddin University, Makassar, Indonesia

²Department of Management, Hasanuddin University, Makassar, Indonesia

Research article

Received 03 July 2023; Accepted 14 July 2022

How to cite: Trisusanti, N., Arifuddin, H., & Umar, F. (2023). Implementation of Strategic Management in Improving Organizational Performance in Manufacturing Companies. *Indonesian Journal of Economics and Management*, 3(3), 572-581.

***Corresponding author:** nilatrisusanty@gmail.com

Abstract: This study aims to investigate the implementation of strategic management as an effort to improve organizational performance in manufacturing companies in Makassar. In the context of increasingly fierce competition and dynamic change, manufacturing companies need to adopt effective strategic approaches to gain competitive advantage. This study uses descriptive-qualitative research method by collecting data through interviews and direct observation in selected manufacturing companies. The results showed that the implementation of strategic management contributed positively to the improvement of organizational performance. In terms of strengths, manufacturing companies in Makassar have quality human resources and a good reputation in producing high quality products. However, some weaknesses such as dependence on the local market and limited financial resources need to be overcome. Opportunities that can be utilized are the growth of the global market and technological advances that can improve operational efficiency. Threats include intense competition and fluctuating raw material prices. Based on the findings, recommended strategies for improving organizational performance include market diversification, increased innovation, investment in new technology, and improved operational efficiency. The company also needs to strengthen cooperation with suppliers and monitor regulatory developments that may affect business operations. The implications of this study can serve as a guide for manufacturing companies in implementing strategic management to improve organizational performance.

Keywords: strategic management; organizational performance; manufacturing company; Makassar; performance improvement strategy.

1. Introduction

The era of globalization and increasingly fierce business competition (Pasigai, 2010), manufacturing companies are faced with complex and dynamic challenges. To remain relevant and succeed in a rapidly changing market, these companies must have the ability to manage change, adapt to technological innovation, and achieve competitive advantage (Hendrarso, 2020). This is why the implementation of strategic management is very important in improving organizational performance in manufacturing companies.

Strategic management can be defined as the process of formulating, implementing, and evaluating an organization's strategy to achieve its long-term goals. This strategy involves integrating the organization's vision, mission, values, resources, and goals with the changing external environment. In the context of manufacturing companies, strategic management

helps to ensure that the company has a clear direction, focuses on operational excellence, and is able to face intense competition.

One of the reasons why manufacturing companies need to implement strategic management is that their business environment tends to change rapidly. Technological developments, government policies, market trends, and customer preferences can all have a significant impact on a company's operations. Without a proper strategy in place, manufacturing companies may get stuck in a reactive cycle where they are constantly trying to catch up with changes and adapt without a clear direction.

In addition, manufacturing companies are also faced with intensifying competition from both domestic and international competitors. The company's ability to produce high-quality products, operational efficiency, and timeliness in delivery become decisive factors in winning the competition. Strategic management assists companies in identifying and utilizing unique competitive advantages, both through the selection of the right market segment, innovative product development, and efficient operational strategies.

In addition to competition, manufacturing companies are also faced with challenges in terms of complex supply chains. Companies must be able to manage relationships with suppliers, optimize inventory, and maintain operational sustainability. In this context, strategic management can help companies to build strategic partnerships with suppliers, adopt best supply chain management practices, and improve overall operational efficiency.

In addition to external challenges, manufacturing companies are also faced with complex internal changes. Company growth, structural changes, and operational expansion can all have an impact on organizational performance. Strategic management assists in integrating internal changes with the strategic direction of the company, thus ensuring that every step of change taken supports the achievement of long-term goals.

In the context of globalization, manufacturing companies are also faced with the opportunity to expand markets and achieve international growth (Al Aidhi et al., 2023). However, international expansion also brings new risks and challenges, such as cultural diversity, regulatory differences, and changes in economic conditions. In this regard, strategic management helps companies to identify potential markets, develop global marketing strategies, and manage the risks associated with international expansion.

In conclusion, manufacturing companies are faced with various challenges and opportunities in running their operations. The implementation of strategic management becomes very important in ensuring that the company has a clear direction, focuses on operational excellence, and is able to face intense competition. Through strategic management, companies can identify market opportunities, capitalize on competitive advantages, manage internal and external changes, and achieve sustainable growth. Therefore, strategic management is an effective tool in improving organizational performance in manufacturing companies.

2. Literature Review

2.1. Strategic Management Concept

Strategic management is a comprehensive approach in planning, implementing, and evaluating strategic decisions taken by an organization to achieve its long-term goals. The concept of strategic management includes various important aspects related to environmental analysis, strategy formulation, strategy implementation, and performance evaluation. The following is a literature review that provides further insight into the concept of strategic management.

- 1) **External and Internal Environmental Analysis** External environmental analysis involves understanding the economic, political, social, technological, and legal factors that can affect the organization. In research conducted by (Puspita, 2016), the author discusses the importance of analyzing external environmental factors in formulating effective strategies. Internal environmental analysis, on the other hand, involves evaluating the organization's resources, expertise, and capabilities. In a book written by (Ritonga, 2020). Strategic management textbook (theory and application). Deepublish, the author explains how internal environmental analysis can help an organization identify its competitive advantage.
- 2) **Strategy Formulation** Strategy formulation involves choosing strategic directions and making decisions regarding the allocation of resources to achieve long-term goals. In his book "Crafting & Executing Strategy" (Janes, A., & Sutton, C), the authors describe various frameworks and tools for formulating effective strategies. One of the popular tools is SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis which helps organizations in identifying their strengths, weaknesses, opportunities, and threats.
- 3) **Strategy Implementation** Strategy implementation involves implementing the action plan that has been formulated. In a study conducted by (Datumongan), the author highlights the importance of an appropriate organizational structure and effective processes in implementing strategies. This research shows that factors such as good communication, strong leadership, and employee engagement are key to success in strategy implementation.
- 4) **Performance Evaluation and Measurement** Performance evaluation and measurement is an important step in strategic management to ensure that the implemented strategy successfully achieves organizational goals. In research conducted by (Aprilliana, 2022), the author presents various performance measurement methods that can be used, such as Balanced Scorecard, Key Performance Indicators (KPIs), and benchmarking analysis.
- 5) **Dynamics of Environmental Change** In an era of rapid change, organizations need to be able to adapt to a dynamic environment. In research conducted by (Susyanto, 2019), the author discusses the importance of change management in the context of strategic management. This article highlights the importance of effective communication, employee participation, and transformational leadership in dealing with organizational change.

Through this literature review, it can be concluded that the concept of strategic management involves analyzing the external and internal environment, formulating effective strategies, implementing good strategies, evaluating appropriate performance, and the ability to adapt to environmental changes. In the context of manufacturing companies, strategic management is essential to achieve competitive advantage, operational efficiency, and sustainable growth.

2.2. Implementation of Organizational Strategy in Manufacturing Companies

The implementation of organizational strategy in manufacturing companies is a critical step in achieving success and sustainable growth. In a context of constant change and intense competition, manufacturing companies need to have a long-term vision, formulate appropriate strategies, and effectively implement them throughout the organization. This involves managing quality human resources, developing and implementing efficient operational processes, and utilizing appropriate technology. In addition, it is also important for manufacturing companies to identify and capture market opportunities, monitor possible threats, and make strategic adjustments proactively. By implementing a comprehensive and

targeted organizational strategy, manufacturing companies can improve their competitiveness, optimize operational performance, and achieve sustainable growth amidst the challenges.

2.3. Previous Research

- 1) Müller et al. (2021) in his research entitled "The role of absorptive capacity and innovation strategy in the design of industry 4.0 business Models - A comparison between SMEs and large enterprises" hasil dari penelitian ini menyatakan bahwa First, the results indicate that the acquisition, assimilation, transformation, and exploitation of knowledge from the environment enable companies to engage in both exploratory and exploitative innovation strategies. Furthermore, the paper includes an evaluation of the role of exploratory and exploitative innovation strategies that reflects in efficiency-centered and novelty-centered business model designs. The distinct characteristics differentiating SMEs from large enterprises are also explained. The implications of absorptive capacity on innovation strategies, which influence the redesign of extant business models, are discussed from a research and managerial perspective.
- 2) Victor Barinua (2022) "Strategic Planning and Employee Engagement:" The study revealed that strategic planning is a key to employee engagement and successful organizational performance. The study concluded that strategic planning and employee engagement influence the attainment of organizational goals and objectives; which means that strategic planning resulted in high job engagement and motivation. The study recommended that short term planning should be done biannually by management and checkmate against employee dedication and employee vigor in other to determine if the set goal was actualized within the stipulated time as state. This would help enhance employee engagement and influence effective time management. Long term goal should be set by management in order to evaluate employee dedication and vigor towards attaining the company's mission, vision and purpose in the long run, and this will help the firm to have a competitive advantage over others.

3. Research Methods

The research method used in this research is a descriptive method with a qualitative approach. The qualitative approach is used to describe and analyze the implementation of strategic management in improving organizational performance. Descriptive methods are used to explain the status of human groups, objects, conditions, systems of thought, or events in the present systematically, factually, and accurately.

Through a qualitative descriptive approach, this research comprehensively examines the phenomena and events that occur at the research location in accordance with the focus of the problem that has been determined. This research seeks to understand the language, interpretations, and perspectives of participants in their living environment. In this research process, researchers interact with participants, building a holistic picture through detailed descriptions from various informant or participant perspectives.

The data collection techniques used in this research include observation, interviews, and documentation studies. Observations were made to directly observe the phenomena that occurred in the research context. Interviews were used to obtain informants' perspectives on the implementation of strategic management and its effect on organizational performance. Documentation studies were conducted to collect data from documents or records relevant to the research topic (Rukajat, 2018).

The collected data were analyzed using data reduction, data presentation, and conclusion

techniques. Data reduction involves the process of reducing the data that has been collected into relevant and significant units. Data presentation is done through the preparation of findings and narratives that describe the results of the research. Furthermore, conclusions are drawn based on data analysis that has been carried out throughout the research.

This descriptive qualitative research method aims to understand the implementation of strategic management in improving organizational performance in manufacturing companies in Makassar. This research does not intend to test theories, but rather focus on understanding and a comprehensive description of the phenomenon under study.

4. Results and Discussion

The following are the results of the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis for manufacturing companies in the context of this study:

SWOT Analysis of Manufacturing Companies:

Strengths:

- Qualified Human Resources: The Company has a skilled and experienced team in the manufacturing industry, with the knowledge and skills necessary to efficiently operate production equipment and processes.
- Superior Product Quality: The Company has a good reputation for producing high-quality products, with precision, reliability and innovation being competitive advantages.
- Well-Managed Supply Chain: The company has strong relationships with reliable raw material suppliers, ensuring the availability and quality of required raw materials.

Weaknesses:

- Dependence on Local Market: The company has limitations in market diversification and is dependent on the local market which may affect business growth and profitability.
- Limited Financial Resources: The company faces limitations in financial resources to invest in new technology, product development, or market expansion.
- Inefficient Production Processes: The Company faces challenges in improving the efficiency of its production processes, which may affect productivity and production costs.

Opportunities:

- Global Market Growth: The company has the opportunity to expand its market to a global level, capitalizing on the growing demand for manufactured products in international markets.
- New Technology and Innovation: Companies can capitalize on new technological advances in production processes, automation, or supply chain management to improve efficiency and competitive advantage.
- Regulatory Changes: Regulatory changes that support the manufacturing industry, such as government policies that encourage investment and industrial development, can be an opportunity for company growth and development.

Threats:

- Intense Competition: The company faces strong competition from competitors in the manufacturing industry, both from local and international companies, which may affect the company's market share and profits.
- Raw Material Price Fluctuations: Changes in raw material prices can affect the company's production costs and profit margins.

- Economic Uncertainty: Economic instability, currency fluctuations, and uncertain market conditions may affect product demand and company growth.

This SWOT analysis provides an overview of the internal and external factors that can affect the performance of manufacturing companies in the implementation of performance improvement strategies. This information can be used as a basis for formulating appropriate strategies and actions to optimize potential strengths, overcome weaknesses, take advantage of opportunities, and face threats faced by the company. In the discussion of the results of this study, it will be attempted to interpret the results of the research findings in the field that have been obtained. Furthermore, the systematic discussion of the results of this study will be presented as follows:

Procedures for improving organizational performance in manufacturing companies in Makassar

The research results prove that the procedures for improving organizational performance in manufacturing companies in Makassar are carried out in accordance with work rules. In addition, to find out the situation of organizational performance improvement procedures in manufacturing companies in Makassar can be reviewed from the following aspects:

- 1) Production Processes and Operational Efficiency, evaluate the production processes of manufacturing companies to identify potential improvements in efficiency and productivity. (Nastiti, 2020) Pay attention to factors such as production cycle time, resource utilization, quality control, and adoption of the latest technology.
- 2) Quality Management, Nazmia review the company's quality management system, such as the implementation of ISO standards or Total Quality Management (TQM) methods. Identify if there are any policies or practices that need to be improved or strengthened to enhance product quality and customer satisfaction.
- 3) Inventory and Supply Chain Management review the company's inventory management and supply chain engagement (Djama et al., 2023). Evaluate the effectiveness of inventory management, supplier partnerships, and inventory control systems to ensure timely and efficient supply.
- 4) Human Resources, review employee competencies and development, including training programs, performance appraisals, and reward and recognition policies. Evaluate whether there is a need to improve employee skills, improve internal communication, or strengthen a work culture that supports improved performance, this result is in line with (Purwanto et al., 2020) which states that strengthening organizational culture can improve company performance.
- 5) Research and Development, review the company's efforts in innovation, new product development, or improving production processes (Hanafiah et al., 2020) the level of investment in research and development, collaboration with research institutions, and the company's ability to adapt to the latest technological developments.
- 6) Market Analysis and Marketing Strategy, review the company's market analysis, understanding of customer needs, and marketing strategy. Evaluate whether the company has a good understanding of market segments, competitors, and competitive advantages. Note whether there are opportunities to increase market penetration or develop more effective marketing strategies (Bora & Sahli, 2020).
- 7) Finance and Cost Management, review the company's financial performance, including revenue, profit, and expenses. Evaluate the company's finances and cost management to identify opportunities for savings, effective debt management, and improvement of

Indriasari's profit margins.

Through a review of the above aspects, manufacturing companies in Makassar can gain a more comprehensive understanding of the situation of their organizational performance improvement procedures. This will provide a foundation for designing and implementing relevant and effective performance improvement strategies according to the needs and context of the company.

Organizational Performance Improvement Strategy of manufacturing companies in the Implementation of Strategic Management.

Strategies for improving organizational performance in manufacturing companies in Makassar can involve the implementation of appropriate strategic management. The following are some strategies that can be used in this context:

- 1) Establish a Clear Vision and Mission: Manufacturing companies need to have a clear vision and mission as a guide in directing long-term goals and identifying core values that will form the basis of the company's operations.
- 2) External and Internal Environmental Analysis: Conduct a comprehensive external and internal environmental analysis to identify opportunities and threats as well as the company's strengths and weaknesses. This can be done through PESTEL analysis (Political, Economic, Social, Technological, Environmental, and Legal) and Porter's Five Forces analysis.
- 3) Setting Appropriate Goals and Objectives: Based on the analysis of the environment and internal strengths, the company needs to set specific, measurable, achievable, relevant, and time-bound (SMART) goals and objectives. These goals should be directly related to improving organizational performance.
- 4) Competitive Strategy Development: Develop a competitive strategy that enables the manufacturing company to outperform competitors in the market. This may involve selecting a strategy of product differentiation, cost advantage, or focus on a particular market segment.
- 5) Development of Operational Excellence: Improving the efficiency and effectiveness of company operations through the implementation of Lean Management, Six Sigma, or Total Quality Management (TQM) practices. This may involve process improvement, waste reduction, quality enhancement, and the application of relevant technologies.
- 6) Increased Employee Engagement: Improve employee engagement through effective training and development programs, rewards and recognition, and merit-based promotions. Actively engaged employees will have higher motivation to contribute to improved organizational performance.
- 7) Use of Appropriate Performance Metrics: Using relevant and measurable performance metrics to measure progress against established goals and objectives. This may include KPIs (Key Performance Indicators), financial ratio analysis, or product quality evaluation.
- 8) Innovation and Development Research: Drive product, process, and business model innovation to gain competitive advantage. Conduct research and development to deal with market and technological changes and increase the added value of products or services.
- 9) Continuous Monitoring and Evaluation: Conduct continuous monitoring and evaluation of strategy implementation and organizational performance. Identify and overcome obstacles or challenges that arise, and make continuous improvements to achieve better results.

By implementing these strategies, manufacturing companies in Makassar can improve their organizational performance, achieve competitive advantage, and adapt to the changing dynamic business environment. It is important to involve all levels of the organization and ensure effective communication in implementing these strategies.

Obstacles that occur

There are several barriers that manufacturing companies may face in their organizational performance improvement strategies. Some common barriers that are often faced are as follows:

- 1) **Resource Limitations:** One of the key barriers is resource constraints, whether in terms of finance, manpower or infrastructure. Companies may face constraints in allocating sufficient funds for investment in performance improvement or difficulties in recruiting and retaining a qualified workforce. Infrastructure limitations such as lack of production facilities or up-to-date technology can also hinder the implementation of performance improvement strategies.
- 2) **Business Environment Uncertainty:** A dynamic and volatile business environment can be an obstacle in performance improvement strategies. Changes in government policies, fluctuations in raw material prices, or intense competition can make it difficult for companies to plan and execute long-term strategies. Uncertainty in the economy or political situation can also affect the success of strategy implementation.
- 3) **Changes in Organizational Culture:** Implementation of performance improvement strategies often requires a change in organizational culture. Changing established ways of working and introducing new practices can create resistance and discomfort among employees. When companies face internal resistance to change or lack of support from management, strategy implementation can be hampered.
- 4) **Lack of Communication and Employee Engagement:** Employee engagement and active participation are critical to the success of a performance improvement strategy. If communication is ineffective or there is a lack of employee involvement in strategy planning and implementation, there can be a lack of clarity, mistrust, or lack of support from team members. This can hinder strategy implementation and create barriers that are difficult to overcome.
- 5) **Inaccuracy or Unsustainability of Implementation:** At times, companies may have difficulty in executing strategies with consistency and precision. Factors such as lack of continuous monitoring and evaluation, lack of careful planning, or lack of commitment and strong leadership can result in performance improvement strategies not being executed effectively.

This is in line with research conducted by (Estyari et al., 2021) which states that the problems and obstacles faced by the manufacturing sector in Indonesia have not been resolved. The global economic slowdown, the tightening of Bank Indonesia's monetary policy and the re-increase in basic electricity tariffs are still haunting the manufacturing industry in Indonesia. High interest rates from Bank Indonesia will suppress public consumption, which will result in lower sales of manufacturing products, coupled with the return of the electricity tariff, will also increase the production costs of the manufacturing industry in Indonesia and the slowing global economic growth will also impact on Indonesia's economic growth.

To overcome these obstacles, manufacturing companies need to adopt a systematic and targeted approach. This involves wise management of resources, continuous monitoring and evaluation, effective communication, active employee engagement, and support from

management. In addition, flexibility and adaptability are also important in the face of unpredictable changes in the business environment.

6. Conclusion

The conclusion of this study is that the implementation of strategic management in improving organizational performance in manufacturing companies in Makassar has a very important role. In an effort to improve organizational performance, companies need to pay attention to several key aspects such as careful SWOT analysis, development of appropriate competitive strategies, improving operational efficiency, developing employee engagement, and implementing innovation. However, in the implementation process, companies are also faced with several obstacles such as limited resources, uncertainty of the business environment, changes in organizational culture, lack of communication and employee involvement, and implementation inaccuracy.

To overcome these obstacles, companies need to adopt a systematic and targeted approach, and involve all relevant parties. Employee involvement in strategy planning and implementation, effective communication, and continuous monitoring and evaluation are key factors in the success of improving organizational performance. In the context of manufacturing companies in Makassar, this study provides valuable insights and guidance for stakeholders to design and execute effective performance improvement strategies, so as to achieve competitive advantage and adapt to the changing dynamic business environment.

References

- Al Aidhi, A., Harahap, MAK., Rukmana, AY., & Bakri, AA. (2023). Peningkatan Daya Saing Ekonomi melalui peranan Inovasi. *Jurnal Multidisiplin West Science*, 2(02), 118-134.
- Aprilliana, T. (2022). *Analisis Pengukuran Kinerja Perusahaan Berdasarkan Integrasi Swot Dan Balanced Scorecard Dengan Pendekatan Metode Analytical Hierarchy Process (Ahp)(Studi Kasus Pt Sapta Mitra Abadi Kota Balikpapan)*.
- Bora, MA., & Sahli, M. (2020). Analisa Strategi Pemasaran Penjualan Martabak Menggunakan Metode SWOT. *Jurnal Teknik Ibnu Sina (JT-IBSI)*, 5(02), 25-35.
- Djama, A., Indriani, R., & Moonti, A. (2023). Optimalisasi Manajemen Rantai Pasok Beras Dalam Menjaga Ketahanan Pangan (Studi Kasus Perum Bulog Kantor Cabang Gorontalo). *Media Agribisnis*, 7(1), 109-117.
- Estyari, KI., Santoso, B., & Putra, INNA. (2021). Determinan Keputusan Hedging Pada Perusahaan Manufaktur yang Terdaftar pada Bursa Efek Indonesia Pada Tahun 2013-2014. *Jmm Unram-Master of Management Journal*, 10(4), 284-296.
- Hanafiah, H., Mulyani, A., & Kurniawanto, H. (2020). Strategi Pemasaran New Development Product (Ndp) Pada Perusahaan Jasa Pest Control (Pco) Dalam Menghadapi Wabah Covid-19. *Jurnal Bina Bangsa Ekonomika*, 13(2), 201-207.
- Hendrarso, P. (2020). Meningkatkan kualitas sumber daya manusia di perguruan tinggi menuju era vuca: Studi fenomenologi pada perguruan tinggi swasta. *Prosiding Seminar STIAMI*, 7(2), 1-11.
- Müller, JM., Buliga, O., & Voigt, KI. (2021). The role of absorptive capacity and innovation strategy in the design of industry 4.0 business Models-A comparison between SMEs and large enterprises. *European Management Journal*, 39(3), 333-343.
- Nastiti, H. (2020). Analisis Pengendalian Kualitas Produk Tahu Di Pondok Labu Jakarta Selatan. *Bisman-Jurnal Bisnis & Manajemen*, 5(01), 87-105.
- Pasigai, MA. (2010). Pentingnya Konsep Dan Strategi Pemasaran Dalam Menghadapi Persaingan Bisnis. *Jurnal Ekonomi Balance*, 6(2), 51-56.

- Purwanto, A., Asbari, M., Pramono, R., Senjaya, P., Hadi, AH., & Andriyani, Y. (2020). Pengaruh Kepemimpinan terhadap Kinerja Guru Sekolah Dasar dengan Keterlibatan Kerja dan Budaya Organisasi sebagai Mediator. *EduPsyCouns: Journal of Education, Psychology and Counseling*, 2(1), 50–63.
- Puspita, W. (2016). Pentingnya Analisis Lingkungan Internal Bagi Pencapaian Tujuan Lembaga Pendidikan Islam. *El-Idare: Jurnal Manajemen Pendidikan Islam*, 2(2), 120–136.
- Ritonga, Z. (2020). *Buku ajar manajemen strategi (teori dan aplikasi)*. Deepublish.
- Rukajat, A. (2018). *Pendekatan penelitian kuantitatif: quantitative research approach*. Deepublish.
- Susyanto, H. (2019). Pengaruh Kepemimpinan, Keterlibatan Karyawan dan Kepuasan Kerja terhadap Kesiapan untuk Berubah dalam Menghadapi Perubahan Organisasi. *Jurnal Ekonomi, Bisnis, Dan Akuntansi*, 21(1).
- Victor, B. (2022). Strategic Planning And Employee Engagement: Theoretical Review Strategic Planning And Employee Engagement: Theoretical Review. *The Strategic Journal of Business & Change Management*.