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Research Article

The Role of Strategic Management in Achieving the Marketing Strategy of Economic Institutions

Abdelaziz Asslouni[1*] and Khaled Ben Elwalid Nehar[2]
[1,2]Mohamed Ben Ahmed University, Oran 2, Algeria

***Corresponding Author**
Abdelaziz Asslouni
(aasslouni@gmail.com)

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Abstract: Economic institutions are an open system that is influenced by and affects all internal and external environmental factors. These institutions must keep up with all the surrounding changes, such as information technology, communications and innovations in goods production and service provision. Additionally, they must address challenges and difficulties such as financial, administrative, environmental and legal problems. One of the key strategic management approaches that contribute to setting future plans and achieving the goals of these institutions is marketing strategy. This strategy is a necessary mechanism for institutions to keep up with changes and face challenges. Therefore, institutions that adopt the concept of marketing strategy to control their position in the market and capitalize on available opportunities succeed in achieving the marketing objectives, which are an integral part of the overall objectives of the institution.

Keywords: Strategy, Strategic Management, Planning, Marketing Strategy

INTRODUCTION

The concept of strategic management has evolved through various organizational and administrative changes over time. Its true essence is derived from the word "strategy," which originated from military operations. The term "strategy" has been used in military operations for centuries, being a Greek word derived from "*strategos*," meaning the art of leadership. The concept of strategy transitioned into the business realm in the last three decades of the 20th century. Former US President Lyndon Johnson called for the application of strategic planning in all federal government agencies in 1965, extending the boundaries of strategic planning from the United States to Europe and then to some developing countries, with Malaysia being one of the most notable ones.

Implementing the concept of strategic management brings many benefits to organizations, yet it also poses various challenges. Additionally, it's important to note that marketing strategy is based on strategic thinking principles, providing these institutions with precision, strategic planning, execution of marketing activities, continuous monitoring and leveraging available opportunities. Through this research paper, we will explore these challenges and advantages, as well as general concepts about strategic management and its role in influencing the marketing strategy within an organization.

Research Problem

Based on the aforementioned, the following research problem can be posed:

- What is the role of strategic management in achieving the marketing strategy within an organization?

Sub-Questions

Derived from the main research problem, a set of sub-questions can be identified:

- What is strategic management?
- What are its stages and what are the models of its application?
- What are the challenges of implementing strategic management in institutions?
- What is marketing and what is marketing strategy?
- What are the characteristics and levels of marketing strategy?
- What is the impact of strategic management on achieving marketing strategy?

Significance and Objectives of the Study

Through this research paper, we aim to:

- Understand the concept of strategic management
- Know its stages and models of application
- Highlight the significant challenges of implementing strategic management in institutions
- Understand the role of strategic management in enhancing institutional performance
- Recognize the importance and impact of strategic management in achieving and succeeding in marketing strategy within these institutions

The Nature of Strategic Management

Definition of Strategic Management: The term "strategy" refers to defined objectives, alternative options, cost-benefit analysis, evaluation and the selection of the best strategic alternative, placing it in an implementable timeline. The true meaning of strategy was derived from military operations. The concept of strategy extended to the business realm in the last three decades of the 20th century. Fredrick Chandler, a professor of administrative history at Harvard University, was among the first contemporary management scholars to delve into strategy in his administrative research. In his book published in 1962, he examined the organizational structures of major American companies and presented four growth and development strategies, emphasizing that the development and evolution of organizational structures primarily depend on strategy. In 1965, professors Ashton Jones and Doreard linked organizational changes with technology and adopted strategy [1].

In 1976, Helene and Herger presented their concept of strategic management through comprehensive research, culminating in a comprehensive model of strategic management. Kenner and Tregoe then entered the field of strategy by stating that the driving force, representing the product field, markets, or capabilities that are the company's power source, constitutes the overall framework of strategy. Identifying this driving force contributes to formulating comprehensive goals and the component unit's objectives. The comprehensive goals act as a bridge between the comprehensive strategy and the strategies of its component units. The publication in 1985 by the consultant at McKinsey, Professor Omaia, titled "Strategic Mind," represents the peak of the research presented in this field. It had the most significant impact on the growth and development of contemporary strategic approaches in management [1].

Another definition of strategic management suggests that it involves charting the future direction of the institution and stating its long-term goals. It entails choosing the appropriate strategic pattern to achieve this in light of internal and external environmental factors and then executing, monitoring and evaluating the strategy [2].

Strategic management is intended to ensure customer satisfaction and attract more customers to the institution, thereby increasing its chances of winning over competitors and achieving profits [3].

There are numerous definitions of strategic management, including the following [4], while maintaining marginalization within the text between brackets:

- David [5] defined it as the science and art of formulating, applying and presenting various functional decisions that enable an organization to achieve its objectives
- Heager, defined it as a set of managerial decisions and practices that determine the long-term performance of an organization. This includes strategic development, implementation, evaluation and control

From the aforementioned definitions, we can say that strategic management is the organization's vision of its future and its relationship with its environment. This vision clarifies the type of processes and strategies that need to be undertaken in the long term, as well as the goals and objectives to be achieved in the future.

Strategic Management Stages

The strategic management process involves three main steps: formulating the strategy, implementing the strategy and evaluating the strategy. These steps can be outlined as follows [6].

Formulating the Strategy

The strategy is formulated based on the organization's goals, capabilities, possible opportunities and external threats. It involves identifying the strengths and weaknesses within the organization. Understanding the strengths and weaknesses is crucial to target areas of weakness for improvement and diagnose issues in a way that serves the overall goal.

Implementing the Strategy

The organization sets mid-term goals, defines policies and allocates resources to implement the strategy. Implementing any strategy requires having a strategic culture, an effective organizational structure, budgeting, employee training and creating awareness by providing them with the latest information available to the organization. Effective execution necessitates aligning the strategy with the operations, systems and structures of the organization.

Evaluating the Strategy

This step involves assessing whether the formulation and application of the strategy were successful. It examines if the strategy is in line with the general direction and measures the ability to perform well. Evaluating the strategy is crucial to understanding whether the actual performance aligns with the organizational goals and if adjustments or improvements are needed.

Strategic Management Planning Model

One of the most common and comprehensive models representing the requirements of strategic management is the "WHEELEN&HUNGER" model [7]. The model involves several steps:

- Conducting an evaluative scan of both the external and internal environment to choose the strategy
- Utilizing scientific means to analyze and choose the strategy
- Employing evaluation and monitoring by setting predefined standards and measuring performance to determine whether the actual performance matches the organizational one
- Evaluating the contents of the strategy
- Evaluating the results achieved by the organization due to its strategic choices
- Evaluating the quality of the analytical system used by the organization to reach its strategies

Successful strategic control requires the control system to be capable of swiftly detecting significant deviations so that the organization can adopt corrective measures. It needs to be economical, provide individuals with the necessary information for performance correction, comprehensive covering all vital activities, balanced and economically efficient at the same time [7]. In the context of strategic planning, every organization must begin after completing the strategic analysis. Therefore, the fundamental tasks of strategic management lie in ensuring continuous evaluation of internal changes and adapting competition strategies based on this evaluation to increase the chances of success in its strategies.

Scenario planning is one of the most important methods in forward evaluation within the strategic planning process. It describes what is expected and possible and analyzes an assumption of what would happen if the strategy were implemented. It transforms a number of possible scenarios into a formula for dealing with each of them. This is done through an accurate and extensive diagnosis of possible and expected ideas in a useful and applicable manner by making the strategy flexible enough to accommodate those possibilities and prepare for them in advance. All organizations face a state of future uncertainty and the degree of risk faced by the organization for decision-makers increases (with the increase in the degree of competitiveness of the environment). Generally, decision-makers assume that they will take the preferred alternatives, which have a higher likelihood of occurring. Still, at the same time, they consider the risks in other alternative choices [7] (Figure 1).

Levels of Strategic Management

As known, business organizations comprise three management levels known as the management hierarchy, which are [8]:

- **Top Management Level:** Including the board of directors, the general manager and the general staff at the higher levels of the organization and these are referred to as strategic managers
- **Middle Management Level:** Encompassing the core departments in the organizations, such as finance and marketing
- **Lower Management Level:** Comprising the managerial units directly related to dealing with production means, including workers, technicians and equipment

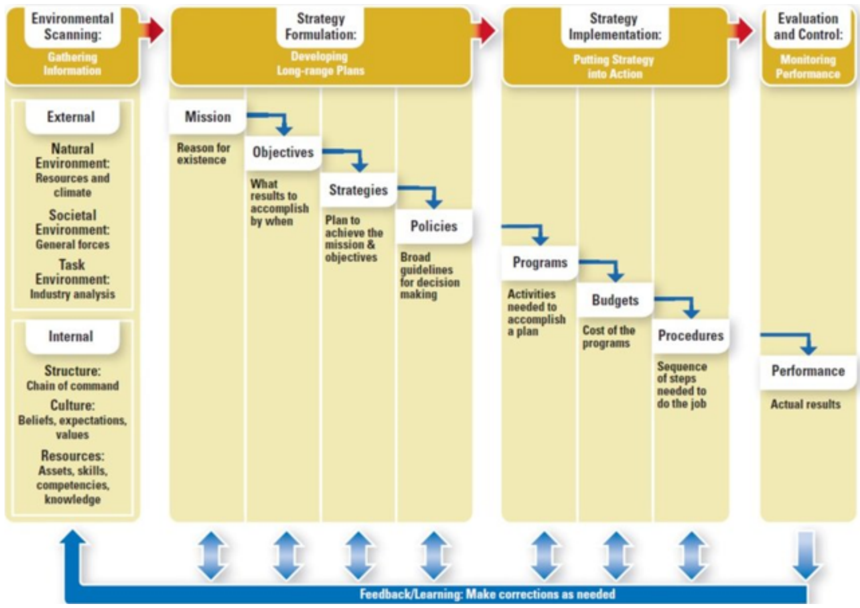

Figure 1: Wheelen and Hunger Model for Strategic Management
Source: Al-Obaidi [7]

At each of these levels, there is an associated strategic level, as follows:

- **Top-Level Strategy:** Planning strategic actions for the organization as a whole is practiced at this level by top management. The focus is on developing a mix of managerial activities and directions related to all administrative and productive practices within the organization. It involves making decisions related to the organization's activities, products, current and future markets, financial flows from production units and the organization's relationship with other external entities. It's unanimously agreed that the study of strategic management focuses on the function of top management
- **Middle-Level Strategy:** This level involves strategic activities in different production departments, branches, or production lines of the organization. These departments are usually referred to as strategic work units. The main focus of strategy at this level is to enhance the competitive position of the organization's products in its markets. It also crystallizes its strategy within the overall framework of the major strategy developed at the top management level
- **Lower-Level Management:** At this level, some strategies are formulated aiming to maximize the productivity of technology, machinery and other resources under the strategies developed at the middle management level. The strategic practice at this level aims to increase performance efficiency in the organization in alignment with the strategies developed at the middle and top management levels

These three levels of strategies need to interact with each other to achieve the strategic objectives of the organization.

Elements and Challenges Facing Strategic Management

Challenges Facing Strategic Management: Strategic management faces several challenges, particularly in the early years of the twenty-first century. These challenges represent the characteristics of the modern age and manifest as follows [9]:

- **Accelerated Rates of Change:** The entry of business organizations into the twenty-first century brings many innovations, activities and international interactions. The emergence of the information and communication revolution, challenges of genetic engineering in plants, animals and humans, issues of cloning, media openness- these are all examples of challenges for change that confront strategists in business organizations
- **Intense Competition:** The current century witnesses intense competition due to the increase in international transactions and economic globalization. Hence, strategists need to consider the development of global markets to succeed in dealing with them. This involves gaining market share through innovation in products, processes, marketing and more

- **Technological Changes:** Many organizations rely on certain technological methods to gain a competitive advantage that contributes to their control over a temporal or spatial position. However, this does not last long, as changes occur swiftly. These organizations soon find themselves compelled to search for new technological competitive advantages
- **Scarcity and Insufficiency of Available Resources:** It has become a reality to find a scarcity in some required resources, whether material, technical, or human. This is evident in some countries, even in the United States, where water resources, energy and certain food items are scarce. Addressing these challenges is necessary to formulate strategies for entering the next century

Globalization of Management in Thought and Practice

In today's business environment, where economic alliances have intensified, the world has become a single village. This has led to increased levels of global competition, necessitating a focus on developing strategic thinking to confront these challenges in the fields of economic application, management and compliance with international agreements within the framework of human rights, environmental constraints, demographics and more.

Importance of Strategic Management for the Organization

The importance can be summarized in key points [4]:

- Focuses on the organization as a whole, caring about day-to-day operations and problems and concentrates on the growth and development of organizations in general
- Strategic management is a rational approach that helps the organization in identifying and choosing the appropriate strategic alternative among different options
- Enables the organization to be effective in achieving its objectives [7]
- Allows the organization to be more informed and responsive to environmental changes [5]
- Clarifies the future vision of the organization and facilitates strategic decision-making [10]
- Enables the organization to be flexible and more adaptable to new developments or surrounding circumstances
- Strategy serves as a clear guide and roadmap for the organization's work path, enabling precise answers to what activities the organization can undertake and what is required of it before anything else [11]

The increasing focus of top management on the importance of strategic management and strategic thinking in various organizations (large and small) is attributed to two fundamental factors that interact together [6]:

- **The First:** Adopting strategic management within the framework of current and future work, which can achieve many benefits for the organization
- **The Second:** Adopting strategic management has now become a strategic choice for top management in organizations, given the numerous (extraordinary) challenges it faces at local, regional and global levels. Therefore, thinking about managing work and achieving the organization's objectives through traditional methods is no longer effective in our present day

Evolution of Strategic Management

There are four stages that strategic management has passed through [4]:

- **Budget Planning and Control of its Execution:** Planning involves financial matters and budgets. The goal of control is operational control over functions by assessing their compliance with the set plans
- **Long-Term Planning Stage:** Planning based on prediction and aims to plan the effective impact of growth by attempting to predict the future and any matters that might occur. In this stage, planning relies on past years
- **Strategic Planning stage:** Planning goes beyond internal aspects and has expanded. It is now directed towards external factors, aiming to increasingly respond to markets and competition by attempting to find new markets and potential markets (strategic thinking)
- **Strategic Management Stage:** Aims to manage all the organization's resources and apply competitive advantage, aiding in creating and understanding the future

Tasks of Strategic Management:

Among the major tasks of strategic management are:

- Developing Appropriate Strategies to Address Environmental Threats and Exploit Opportunities:
- This involves identifying the activities the organization is currently engaged in and, in the future, what the focal activity will be in developing the appropriate strategic alternative

- Maintaining the Relationship Between the Organization and the Environment:
- This task involves nurturing the relationship between the organization and its environment
- Developing and Implementing Approaches to Accomplish a Strategic Change Agenda:
- Involves creating, reviewing and directing policies to expand and define management decisions and their implementation
- Preparing Strategic Management to Face Competitors in the Market:
- This task involves developing new competition methods and making the most of new technological advantages that impact product quality and production costs

Role of Strategic Management in Achieving Marketing Strategy in Organizations

Definition of Marketing: The American Marketing Association in 1960 defined marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user" [12]. It was redefined in 1985 as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives" [13].

Marketing is considered the primary process used by profit-oriented or non-profit organizations to adapt and respond to changes in market opportunities. Here, marketing is a dynamic process of change and response that enables the organization to adapt to changes in the environment [4].

Marketing is defined as a human activity practiced by specialized management under the supervision and guidance of top management, directed towards the consumer to satisfy their needs and desires from products (material, service and intellectual) while adhering to responsibility towards society to justify the organization's existence.

Concept of Marketing Strategy

Marketing strategy is defined as: "all activities aimed at evaluating various environmental factors that directly affect marketing, competition and all other factors affecting the marketing strategy elements in general and on business units individually" [14]. Marketing strategies deal with the interaction of the three known forces (3Cs) - Customer, Competition and Corporation. Marketing strategies focus on means through which the organization can effectively distinguish itself from competitors and capitalize on its unique strengths to provide better value to increase it. The new strategy should have the following characteristics [4]:

- Clear definition of marketing
- Good alignment between total strength and market needs
- Outstanding performance proportionate to competition in key success factors in business. When combining these three factors, it forms the (3G) marketing triangle strategy, as shown in Figure 2

All of the above factors are dynamic living entities with their own goals to pursue. If what the customer needs does not align with the needs of the organization, the long-term growth potential for the company could be at risk.

Based on the 3C strategic points, forming a marketing strategy requires three decisions [4]:

- **Market Position:** Determining the market (such as the whole market or a specific segment)
- **How to Compete:** Choosing a competitive approach (such as introducing a new product to meet customer needs, shaping a new product concept)
- **Timing of Competition:** Deciding when to enter the market, such as being the first in the market or waiting for political demand to stabilize

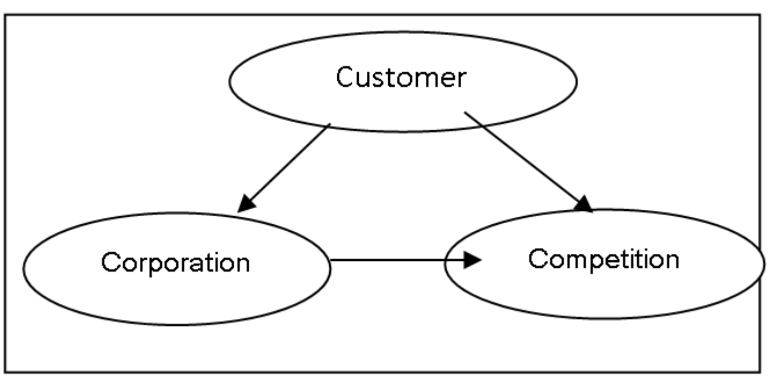

Figure 2: Strategic Marketing Triangle [4]

Strategic marketing focuses on the customer and emphasizes the long-term vision of top management for competitive advantage through product innovation. Other functions should also serve to facilitate achieving this strategic vision, as the customer represents the central focus of management's thinking and specific activities towards innovation and creative thinking. Simultaneously, both external and internal perspectives are of great importance in the concept of strategic marketing [4].

From the above definitions, we can conclude that strategic marketing is an approach that relies on analyzing both the internal and external environment of the organization to diagnose the current situation, leading to shaping the future of the organization in the current context. It aims to utilize the best opportunities by developing and implementing the most appropriate strategies to ensure the organization's survival and continuity in the face of intense competition.

Characteristics of Strategic Marketing

Strategic marketing carries different features derived from marketing management perspectives. The prominent features include:

- Emphasizes long-term content: Strategic marketing decisions usually have long-term implications. In the words of the strategist of strategic marketing, it is a commitment, not an action. For example, the strategic market decision is not simply a matter of providing immediate delivery to a preferred customer but providing 24/7 delivery services to all customers in the same way [4]
- Concerned with a changing environment
- Focuses on inputs and resources

Requires decisions that encompass three holistic aspects:

- **Total Culture:** Style, culture, inclinations, habits, traditions, rituals accepted over time
- **Total Aggregates:** Stakeholders or those who have an interest in the organization, including customers, employees, suppliers, governments and the community
- **Total Resources:** Assets, experiences, human capabilities, financial and technological resources available Elberouani and Elberzanji

Profitability Objective

Profit is a key indicator reflecting the extent of success of strategic management in achieving marketing strategic goals. The responsibility of achieving profit is not confined to a specific department or administrative unit, but it is the result of the collective efforts of various departments and administrative units within the organization. Marketing, as one of the departments in the organization, strives to achieve a profitable sales volume through numerous marketing activities. These activities include creating new marketing opportunities, seeking profitable market segments and encouraging the research for new products that satisfy consumer needs and desires.

Growth Objective

Through adopting marketing strategic approaches, organizations seek to diversify and expand their business activities and operations in the market. Marketing contributes to achieving the growth objective by increasing the volume of sales.

Sustainability Objective

All departments and administrative units collaborate to achieve the objective of sustainability and continuity for organizations in the market. Strategic management plays a vital role in achieving this objective through marketing strategies that ensure the organization's sustainability and survival by:

- Continuously researching and seeking new marketing opportunities by increasing the organization's market share in existing markets or venturing into new markets, or shifting towards marketing more profitable products.
- Organizing and enhancing marketing information systems related to collecting, processing and recording market information, providing timely information to those responsible for small and medium-sized enterprises, enabling them to make sound decisions in all areas and activities [15].

CONCLUSION

In conclusion, it can be stated that strategic management is a key to the success of many organizations, serving as a tool for analyzing the environment, understanding its factors and conditions, whether internal or external. Therefore, it is essential for the organization to be aware of everything happening in its surrounding environment. The organization cannot control these factors, whether they are external, such as opportunities and threats, or internal, such as strengths and weaknesses. However, having knowledge, information and data ensures that the organization maintains its relationship with the surrounding environment and achieves its goals.

One of the most significant benefits of adopting the concept of marketing strategy for organizations is the numerous positives they gain. These include organizing administrative, production and service activities. Organizations become more specialized in their field, tasks are divided efficiently and resources are maintained, expenses reduced, efficiency increased and profits maximized, while opportunities are effectively utilized.

The positives offered by marketing strategy to organizations are capable of achieving significant market shares and highly competitive positions. However, the failure of these organizations to adopt modern management concepts such as strategic administrative thinking and modern analytical approaches makes them lose diversified and profitable market segments, consequently missing out on numerous marketing opportunities. The principles and concepts of marketing strategy are intended to guide organizations towards meeting consumer needs, identifying available marketing opportunities and leveraging them effectively to achieve a competitive advantage in the face of the fierce competition within the constantly changing and evolving business environment.

In conclusion, strategic marketing is crucial for organizations to survive and thrive in today's dynamic and competitive business landscape. It is not just about selling products or services; it's about understanding the market, aligning with consumer needs and utilizing opportunities efficiently. By embracing strategic marketing principles, organizations can secure a significant market share, establish a strong competitive position and achieve long-term success. However, it's essential for organizations to continually evolve and adapt, embracing modern management concepts and staying attuned to the ever-changing business environment.

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