

NEW PERSPECTIVES ON STRATEGIC MANAGEMENT PROCESS

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Abstract: *For developing economies the development of enterprises should be a strategic goal, this way of thinking may become viable only as a result of a combination of judicious analysis based on specific local economic aspects and a set of actions to correct any slippage or amplify existing development trends taken by the managers. A better leadership would unequivocally lead to a better strategy but sometimes the lack of information, first about the external environment, continuously undergoing quick and radical changes, the political problems and the complexity of the implementation of the strategy or the costs that it implies are not taken into consideration. Therefore managers have two options: to establish strategies, which would lead to the achievement of the objectives; evaluate them on the basis of economic efficiency or to identify an already existent strategy and to adapt it to the environment changes in which the enterprise carries on its activity. This paper aims at discussing and explaining from a theoretical perspective, the evolution and the advantages and disadvantages of the strategic management process, in order to convey the managers a modality to achieve competitiveness and evaluate the position of the firm. In the first section, we explain the the necessity of strategic management process. In the second section we present the different evolution stages. The third section presents our conclusions regarding the advantages and disadvantages of the strategic management process, fundamental for the strategy success. The financial crisis did affect the Romanian economy and Romanian enterprises early in 2009 registering an impact of the crisis identified in the need of the managers to rethink their strategies, to improve their management skills and perspectives on the role of the employees after the crisis. In this paper we try to underline the evolution stages of the strategic management process with its own characteristics by which both Romanian or foreign managers can evaluate the position of their enterprise and can take improvement measures, which may help sustain or gain competitiveness that has been affected by the crisis.*

Keywords: strategies, strategic management process, manager, strategic planning, development, performance

JEL classification: L1, M11, C41

1. Introduction

With the works of Meyer and Heppard, McGrath and MacMillan, in 2000 began the integration of two research fields and namely that of entrepreneurship and strategic management. This integration appears as a necessity because the entrepreneurs needed a more rigorous perspective over their strategic planning for the purpose of profiting well from market opportunities under conditions of uncertainty (Kraus, Kauranen & Reschke, 2011:59). Just at the beginning of 80s two prolific authors in the field, Schendel and Hofer argued that strategic management can be seen as a process. It is interesting that this process relied on the entrepreneurial work which is in any enterprise and it is aiming to adapt the enterprise's operations with the necessity of its development and renewal; but we will discuss these in the next chapter. That is why we will observe the use of strategic management concepts at entrepreneurship level in the specialized literature (Covin & Slevin, 1991).

2. The evolution of strategic management

Paitsch condenses this evolutionary process into four phases. Phase 1 contains financial planning which was focused on the enterprise budgets achieved annually. The operative control was aiming to improve the economic result by combining efficiently the production factors (Peitsch, 2005:48). Grant positions this phase between 50s and 60s. Wheelen and Hunger consider this phase contains a basic financial planning, in which information focuses on the ideas provided by the sales department requiring sometimes much time on gathering useful information, and the planning horizon is usually 1 year (Wheelen and Hunger, 2010:5).

Passing to a new phase, the second one, is called forecast-based planning (Istocescu, 2005:66), the managers relied on the budgets from different years and on the environment analysis to achieve allotting the resources. The economic forecast from the 60s was on short-term, the planning within the enterprise being formal; it desired diversification and synergy achievement by creating special departments for planning (Grant, 2010:17). The planning horizon is this time longer, namely from three to five years because the managers already take into consideration projects that last more than a year (Wheelen & Hunger, 2010:5).

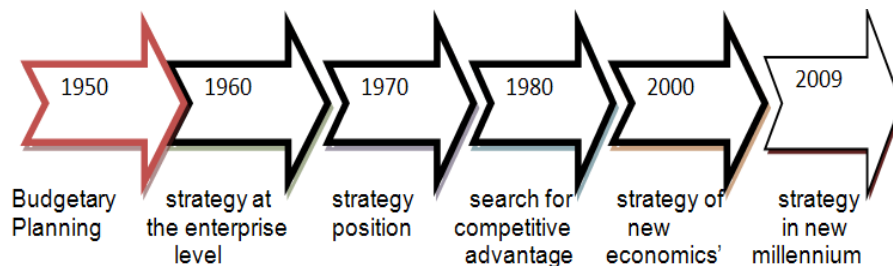


Figure 1: The evolution of strategic management

Source: Grant, 2010:17

In the third phase the planning is the outcome of more careful analysis of competitive environment and was as a response to the speed-up in technical changes and different circumstantial cycles, the implementation and control being considered as subsidiary activities (Peitsch, 2005:48). At the same time the different strategic alternatives are taken into consideration, they were emphasized by the achievement of strategic portfolio, of PIMS analysis that was aimed at evaluating the changes that appeared in competitive position of the enterprise or introducing market segmentation strategies. Being dissatisfied with what they have done so far with the achieved planning, the managers call on consultants; they can offer sophisticated and innovative techniques (Wheelen & Hunger, 2010:5). It can be understood why in this period appears two specialized magazines as: "Strategic management Journal" and "Journal of Business Strategy".

In the 1990s the strategic management triggers a search for the achievement of a competitive advantage by using the resources and competencies, the maximization of the shareholders' s value, reorganization and alliances. The managers' suggestions and engagement from the lowest level is invaluable even if it is not aiming to forecast in the future but especially to achieve urgent strategies for probable scenarios (Wheelen & Hunger, 2010:6). Strategic innovation, new business models and destructive technologies introduced as a notion by Clayton M. Christensen, professor from Harvard Business School to emphasize the new innovations, are defining elements of the strategy for the New Economics considered as being the third industrial revolution. The new millennium which marks the fourth phase is characterized by a strategic management which relies on CSR and ethics in business, the achievement of standards and the application of global strategies (Grant, 2010:17). Thus the new directions of strategic management can be summed-up beginning with the year 2000, period in which only a certitude remained namely that some economies even thriving, have a quite raised indebted level for a peace period (Grant, 2010:457). General Electric can be regarded as an enterprise which fulfilled successfully the pioneer role of strategic management passing through all these phases in the 80s (Wheelen & Hunger, 2010:6).

The main stages of strategic management process are the formulation, implementation and evaluation of the strategy (Barney, Hesterly & Hesterly, 2010:6). Understood as a process, the strategic management is thus a series of stages which do not necessarily present a linear sequence but it rather points out certain interdependences between stages and according to Japanese models they overlap (Raps, 2008:24). These stages start from the formulation of strategy, then contain all the concrete actions to achieve it and they develop until the final evaluation. Although in the case in which the outcome of this process is excellent, it is important that the companies are not satisfied with (David, 2011:288).

The evaluation phase is the end of the strategy process and at the same time it is also the basis for the next stages (Barney, Hesterly & Hesterly, 2010:6). The distinction between them is made more in didactic and analytical aim (Raps, 2008:15). The evaluation consists of a process to question all decisions at all the levels within the enterprise. It can be extremely risky to wait to the end of the year to achieve this stage (David, 2011:290). The stages proposed by Barney, Hesterly and Hesterly will be discussed further on.

An alternative to this classification presented above is offered for example by Welge and Al-lea Laham (2008: 185-187) and by Borza et al. (2009). These authors consider

that the next phases represent the basic components of the strategic management process: the planning of strategic objectives, the strategic analysis of external environment and of the enterprise and prognosis, strategy elaboration and its evaluation, the implementation of the strategy and its control.

Strategy formulation, according to Popa must be rigorous, (Popa, 2004: 60) contains first the development of a vision and mission. It is equally important to identify the opportunities or the dangers from the enterprise external environment as well as to establish the strong and weak internal points (Barney, Hesterly & Hesterly, 2010:6). We identify a similitude with the SWOT analysis. Although, according to Grant this model is very widespread, the classification in four determinant factors of an enterprise strategy is not quite correct. The first two categories characterize the external environment and the other the internal environment (Ilieş et al., 2005:99). Grant questions the division of internal factors in strong and weak points giving Steve Jobs as example, the founder of Apple who suffers pancreas cancer. Taking these aspects into consideration, the question that can be put is how Steve Jobs can be viewed as a strong point of the company or a weak one? Another example would be the effects that global warming has over the auto industry. It can encourage the states government to raise taxes supporting public transport and disadvantaging private transport but on the other hand enabling the apparition of new types of car (Grant, 2010:12). The central elements would be fixing the enterprise long-term objectives and also offering alternative strategies from which the enterprise benefits a lot. The concepts about strategy start from the presupposition that the formulation of strategy is ambiguous, it must be changed into a precise idea about how to redirect the organizational conduct (Jäger, & Beye, 2010:97).

The formulation of strategy as a starting point for strategic management (Kaplan & Norton, 2004:5) approaches problems as to enter the international market, to allocate favourably the limited resources, to analyze the potential mergers or formation of joint venture and sometimes even to avoid an hostile taking-over. Having the best perspective over the enterprise, the manager is the only one who has the authority and capacity to evaluate the consequences and the major ramifications that any strategic decision might have.

According to Hart there are five typologies for the formulation of strategy identifying different models used at many management levels. Within the authoritative model, the formulation is made by a strong leader supported by a few from his top managers. The others within the enterprise are only good "soldiers", merely executors. The enterprise environment is not complicated and the organizational structure must be simple to enable keeping an efficient control (Brown, 2004:213).

There are three kinds of programmes for strategy implementation (Lynch, 2009:492). The complex implementation programmes are used when the enterprise must achieve major changes in the strategic direction that must be followed. A tight coordination is essential to succeed in leading by new strategies, because surely they will confront with a serious resistance. If for example the environment in which the enterprise carries its activity is uncertain or the research results are doubtful, then the gradual implementation programmes will be used. In this case the strategic approach is flexible, the calendars, tasks and even the objectives can be changed in compliance with the current events; it may be even the possibility of leaving aside some strategic fields. In case in which after an analysis it reaches to the conclusion that none of the two types of implementation mentioned above is the best way to

follow, then programmes for selective implementation will be applied in which only a major programme is elaborated but only in certain fields.

According to the traditional approach of strategic management the formulation of strategy relies exclusively on situational analysis of external and internal environment (Grant, 2010:26) being in our view rather a consequence of this. Resources-based vision implies a careful analysis of the enterprises resources and abilities. In contrast, according to stakeholders vision the formulation of strategy must be achieved in compliance with those rights and expectancies (Bordean, 2010:14).

The next stage approaches the way in which the strategy is implemented and includes the development of organizational cultures and it is aiming to support the strategy by organizational structure, redirecting marketing efforts, the preparation of the budgets, the development and use of informatics systems and the correlation of compensation system with the organizational performance (Barney, Hesterly & Hesterly, 2010:6). According to Popa the implementation must be systematic and effective (Popa, 2004:60) because it is aiming to change an already existent stage in a desired one (Raps, 2008:27). Two distinct models emerge in the specialized literature to examine the implementation of strategy: descriptive models which only present the process and activities-based models namely how the process of implementation ought to be proceeded (Tapinos, Dyson, & Meadows, 2008:3).

The dynamics renders well the main feature of this stage because the employees mobilization is needed to implement an already established strategy and discipline, engagement, sacrifice is also needed. Thus, in our view strategies that cannot be implemented is not viable and according to Lynch not even the paper in which it was written values (Lynch, 2009:13). The difficulty of this stage is the attempt to implement, to put into practice a new idea in a system which already is within the enterprise (Raps, 2008:27). Thus the specialized literature concerns more to discover why the implementation was successful in one organization and in the other was not.

In Germany the implementation stage fell into place at the same time with the evolution of information systems simultaneously emphasizing the necessity to introduce new rules within the enterprise (Raps, 2008:27). Implementing the strategy could be more important than selecting it to explain the effect over the performance (Leitner & Gülденberg, 2010:176).

Concerning the importance of the link between strategy and its implementation, this was synthesized by Raps after studying many authors from the field in the following table. If for example the quality of strategy implementation is as inferior as the strategy then the outcome will be unequivocally a completely failure. If the strategy is very good and its implementation leaves much to be desired, then for the enterprise will be unfortunately a failed chance.

Table 1: The importance of link between strategy and its implementation

Strategy	of inferior quality	of superior quality
the implementation of an inferior quality strategy	failure	a failed chance
The implementation of a superior quality strategy	preventable danger	successful

Source: Raps, 2008:27

The final stage of the strategic management process is the evaluation of the strategy by which the validity of a strategy is tested and then modified due to the ongoing changes of the enterprise environment. There are three elementary strategies of evaluation: the re-evaluation of internal and external factors which were the basis for the present strategies, the measuring of the performances and taking corrective actions. The re-evaluation is necessary because a strategy which now is successful, it may not be successful in the future. All the three stages of the strategic management process will be implemented on all the enterprise hierarchical levels. In this way the communication and interaction of all those implied has a vital role (Lynch, 2009:13). Pettigrew and Whipp's researches pointed out the formulation and implementation of strategy must not be viewed as two distinct stages and rather as being part of an ongoing experimental and repetitive process (Lynch, 2009:493). Although this should be the tendency towards the managers ought to turn their attention many times there are major differences between what have been formulated and what was really implemented. Norton and Russel identified a solution to this problem by introducing "a strategic management office", three primary functions of this would be the achievement of strategic management framework that will contain the leadership convention and the proper process. The second function is to appoint the responsible person for this whole strategic and essential process of reference to the stage of its implementation. The third function is that of coordinator or consultant together with other departments such as the IT assuring the operation (Norton & Russel, 2011:8). The process of strategy revision must be redefined annually, Norton being one of the prolific authors in this field. Norton proposed six stages of strategic management process. The first stage contains the development of strategy; it contains a clear formulation of the enterprise vision. In the second stage the strategy is expressed from a more general form to specific objectives, initiatives and budgets and the quantification passes from strategy to action (Norton, 2010:3).

An alignment of the organization is in the third stage. By this it can be understood the achievement of an ongoing adjustment between strategy and objectives at department level. This alignment must take place not only internally but also externally with the enterprise partners and clients. The fourth stage links strategy and operations. If, for example, the next strategic objective establishes a diminution of the cycle of a product development by 50%, it cannot be achieved if someone does not realize how to reorganize the product development process. The strategic management process is increasingly decentralized, it is recognized the fact that the planning must be at the lowest levels. So did Disney, allotting this process to the division. It must be emphasized this process is one of learning, helping, educating and supporting and it truly has positive effects over the enterprise performance (David, 2011:16). We could not affirm that in reality within the enterprises this strategic management process is as clearly divided and its development takes place in the arrangement proposed by diverse authors. Many enterprises organize formal meetings to discuss again the vision, mission, strategies, performance, objectives and the politics encouraging the creativity of its own employees because without communication and appropriate feedback this process cannot work at optimum parameters (David, 2011: 16).

3. Conclusions

The advantages of the strategic management application within the enterprises are summed up offering new clearer visions over the enterprise and a clearer focus over what it is important from a strategic point of view (Wheelen & Hunger, 2010:6). But David offers new perspectives. In his opinion the communication is improved by an ongoing dialogue and a participation of the employees at taking decisions. By profound understanding he refers to both the opinions of the others and the enterprise situation and also to the reason for which it is planned. A bigger engagement is absolutely necessary to achieve the objectives, to implement the strategies and an assiduous work. The expected outcome is that both the managers and employees have as a task the enterprise success (David, 2011:16) receiving an award for this. It must also be mentioned the positive psychological impact by reducing the conflicts from the enterprise interior due to satisfy the need of stability of each individual by planning of the future (Popa, 2002:45).

Other advantages would sum up to a systematization of the most important decisions that would facilitate the managers attempt to improve developing them simultaneously the thinking regarding the management and the development of managerial attitudes (Popa, 2002:46).

The disadvantages of strategic management can be reflected by an obvious feature, according to our opinion, and namely that it is an expensive process either we measure it from a financial point of view by using market analyses, special software programs or the need of appellation at a consulting firm; from the work force point of view because the specialization in different fields and its reallocation will have to take place, sometimes even its excessive solicitation; from the time allotted point of view (Istocescu, 2005:48) because for example an owner will have to look after not only the daily activities but also the strategic ones; from human or psychological point of view because the strategy formulation, implementation and control does not sum up only to follow some steps and to know the enterprise internal and external resources but also to admit your own limitations or drawbacks and to know when it is the moment to withdraw or to delegate or to ask help of a third person.

A consensus within the strategic management hardly can be reached (Nag, Hambrick & Chen, 2007:935), because it includes fields such as the sociology, psychology and economics (Mazzarol & Reboud, 2009:150). We can however affirm the academic environment had a serious contribution in providing many ways of thinking over the strategy and implicitly over strategic management. But we think that the collaboration with the business environment was extremely profitable, more than in any other field, the contribution being unquestionable because it led to the evolution of methods to implement the strategy.

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