

STRATEGIC CONCEPTS IN MANAGING THE COMPANIES IN THE NORTH-EASTERN REGION

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Abstract

The current socio-economic context requires the continuous adjustment of the companies' reference points and tools for decision and action and a good knowledge of the strategic management on the part of the practitioners. The study highlights the strategic reference points underlying the strategic management activity in the Romanian companies in the North-Eastern region and the way the current crisis has changed them. We have determined the extent to which the specific concepts regarding strategic management are known and put into practice by the decision makers and the way their use affects the activity of the companies they manage. To a high extent, strategic management concepts are either not properly known by managers or not properly put into practice (or not at all), especially in the case of small firms, where decision makers most often are not professionals or focus on the operational nature of the decision rather than on its strategic nature. Large companies are characterized by an acceptable level of strategic planning, which leads to a deeper understanding of the strategic management's role in a market economy in times of crisis.

Key words: strategic management, strategic scenario, strategic planning, strategic orientation.

The current socio-economic context requires the continuous adjustment of the companies' reference points and tools for decision and organizational action because "the world has entered a new economic stage: from normality to turbulence" (Kotler Ph., Caslione J.A., 2009). The economic normality of an organization, understood as a rational entrepreneurial approach based on variables and mechanisms which are already known or possible to anticipate through prospective attitude, tends to be eroded by the speed and unpredictability of the action of the environmental factors. In order to understand the turbulent dynamics of the current strategies and to identify the reference points that underlie the future construction of strategic management, we must firstly understand the current context (Grove A., 1999).

Within Romanian organizations, the need for an effective strategic management is not only a condition for improving the effectiveness of the activity, but also a requirement for survival in an uncertain environment, characterized by the lack of clear prospects for stability and development. A first step is to identify the current situation, namely the extent to which the firms currently use the specific concepts of strategic management and the extent to which this approach is being effective.

MATERIAL AND METHOD

Due to the diversity and multiplicity of the specific strategic management concepts, in order to be able to conduct the research, we had to select a part of the concepts so as to identify the extent to which they can be found in the activities of the organizations in the North-Eastern region.

The concepts we have decided to analyze have been selected out of those that are considered to be basic concepts by the strategic management theory (Petrișor I.I., 2007; Ciobanu I., 2006) and that influence the theory and practice of strategic management:

- The concept of market and its dynamics, which we can find in market strategies, strategic portfolios, competitive analysis, etc.
- The concepts of vision, mission, strategic objective and strategy, which are basic concepts.
- The concepts of competitive advantage and strategic planning, which are extremely important for the managerial practice.

In terms of methodology, the applied research has sought to highlight the strategic guidelines underlying the strategic management activity in the Romanian firms in the North-Eastern region and the way the current crisis has changed them. Therefore, regarding the actual data, the study was based on using the method of direct primary data collection: the survey.

The tool used for the survey was a questionnaire developed for the firm managers in the North-Eastern region. The questionnaire included 22 questions, out of which 7 were general interest questions, which were necessary for the

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segmentation of the community, and 15 were created in order to be able to analyze the elements of strategy and strategic planning that exist within the organizations. The community investigated through direct survey, which was conducted by using the questionnaire as main tool, was represented by companies from Iasi, Botosani and Piatra Neamt. The survey unit was the manager, regardless of gender, hierarchical level or age. The questionnaires were conducted at the companies' head quarters in the three survey areas: the cities of Iasi, Botosani and Piatra Neamt. The sample size was limited by certain organizational restrictions and by the nature of the information requested. The resulted sample was made of 21 companies. Because we wanted to analyze the correlations determined by the size of the organizations and their object of activity, the sample was heterogeneous from these points of view.

REZULTS AND DISCUSSIONS

In its modern meaning, the concept of market no longer represents only the place where the supply meets the demand (the geographic market), but also a mix of organizations, activities, systems, relationships and interests, needs and infrastructures. For this reason, the strategic implications of this concept are very large.

The current characteristic of the markets is their high level of dynamics, which indicates the current economic dynamics. From the strategic perspective, understanding these dynamics is particularly important especially in the context of the current economic chaos theory described by Kotler and Caslione (Kotler, Caslione, 2009).

The strategic recommendations made by Kotler and Caslione regarding the way of approaching the markets in times of crisis by developing strategic scenarios designed to simulate various situations of development and to avoid failure are partially or fully adopted by about 42% of the organizations under analysis. This shows that many Romanian companies are aware of the benefits of the predictive attitudes with respect to the market evolution (*figure 1*).

What is worrying is that 19% of the managers do not understand the concept of strategic scenario and the role of anticipating market developments, and do not provide a positive or negative opinion.

What the concepts of mission and vision have in common is their ideological role in underlying the strategy of an organization.

"The core ideology is the binding factor that ensures the cohesion of an organization as it develops and expands at global level and creates diversity in the workplace" (Collins J.C., Porras J.I., 1996). If the vision is a statement of principles, the mission is a statement regarding the way of committing to the principles.

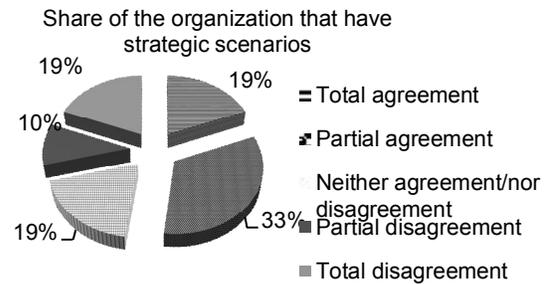


Figure 1 Use of strategic scenarios in the companies in the North-Eastern region

After analyzing the activities of the organizations under study, two conclusions were drawn: a) less than 50% of the organizations (about 48%) have formulated a vision or strategic mission; however, they cannot be found in the documents underlying the process of strategic planning, even though 52% of the managers believe that a long-term vision is necessary. b) 55% of the managers understand by vision their own view of the business in the short term, which shows a lack of knowledge regarding the strategic meaning of this concept and the strategic role it plays in business planning.

When we talk about strategic objectives, we most often refer to the long-term objectives, because the strategy requires a longer period of time in order to be achieved. Unlike the short and medium term objectives, which may change depending on the influence of the internal and external factors, long-term objectives are recommended to remain unchanged as long as the organization does not plan a completely different approach to the business. A constant long-term objective ensures business continuity, while focusing the efforts of the organization on a known direction. Our study has revealed the fact that most of the organizations (95%) have set strategic objectives for different time horizons; of the total objectives set by the organization, 43% are short term objectives, 36% - medium term objectives and 21% - long term objectives (*figure 2*).

The above figure also shows that in the long term the level of objective achievement is medium to high, in the medium term, it is above average and high in a ratio of 82%, and in the short term a high level (33%) prevails.

The analysis of the objectives in terms of the activities undertaken within the firms in the North-Eastern region shows that both in the case of the primary activities as well as in the case of the support activities of the value chain the short and medium term objectives prevail (*figure 3*).

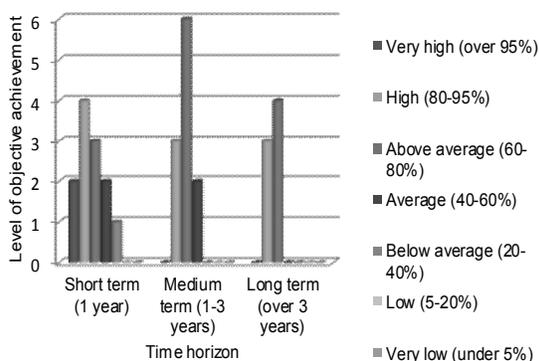


Figure 2 Level of objective achievement depending on the time horizon

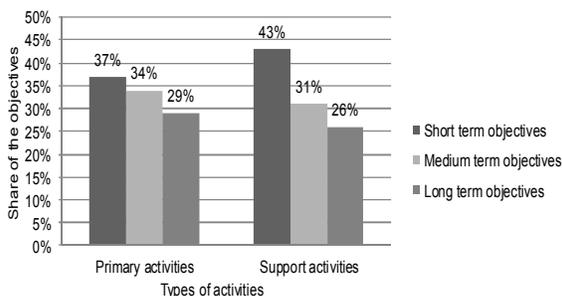


Figure 3 Share of the objectives on types of activities

Along with the simple ways of defining the concept of strategy, some authors believe that presenting the different parts of the conceptual content is more appropriate. The most representative example is the case of H. Mintzberg, who conducts an analysis of the conceptual content of the concept of strategy as it derives from the managerial practice and the specific literature (Mintzberg, 1996):

- strategy is a plan.
- strategy is a tactic.
- strategy is a model / pattern of action.
- strategy is a position.
- strategy is a perspective.

Regarding the organizations under analysis and the way they have defined their strategies, more than 95% of them have a strategy; however, microenterprises and small enterprises do not set long-term strategies. Around 47% of the strategies are result-oriented; the firms that adopt short-term strategies have a greater share in this respect. Companies with long-term strategies are those that focus mostly on the market position (14%) (figure 4).

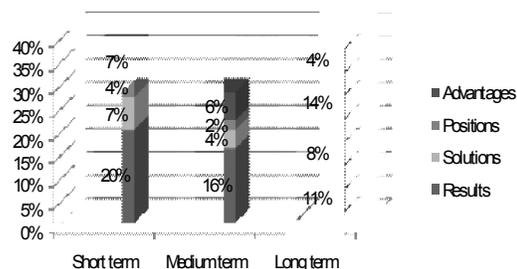


Figure 4 Strategic orientation of the organizations on time horizons

The crisis has changed the structure of the organizations' strategic options to a small extent; however, it has caused changes regarding their share. Except for the merger and acquisition strategies, as well as the strategies of market expansion, all the other options have carried through after the emergence of the crisis. The greatest increase can be noted in the case of cost strategies, followed by the consolidation and stabilization strategies and the differentiation strategies (as a way of survival). However, in the case of cost strategies, nomination is caused by the fact that some managers misinterpret the goal of the strategy (cost reduction) because they do not know the theoretical content of the strategy. Noteworthy is the fact that the emergence of the crisis has determined the development of activity reduction strategies, which confirms the cautious and defensive behaviour of the Romanian organizations.

The concept of competitive advantage underlies the value perspective of strategic management. The term firstly emerged in English as "competitive advantage" and was subsequently translated and adopted by the Romanian specific literature both with the sense of "competitive advantage" as well as "competition advantage". This overlap was caused, amongst others, by the fact that the term was developed by M. Porter in research papers that approached the phenomena of competition and strategy. However, we believe that we need to separate the two concepts because their notional root, namely the words "competitive" and "competition" do not have a similar meaning. Competitiveness is a prerequisite, and competition is a state induced by a certain context. Competitiveness can occur even if the organization is not in competition with a third party, or in relation to a generic internal or external reference standard, while competition occurs in relation with others, in an environment of comparability and in relation to an external reference standard, which

has physical or legal identity. Many Romanian managers do not know the concept of competitive advantage very well. They associate all the functions involved in the economic and technological processes of the organization where it holds a minimum of competence with the key competencies, which should underlie and differentiate their own strategies. Thus, from the total of 11 potential key economic competencies and 10 managerial competencies:

- 33% have indicated over 50% of the economic competencies and 48% have indicated over 50% of the managerial competencies as key competencies
- 33% have indicated between 1-3 key economic competencies and 38% have indicated 1-3 key managerial competencies, as recommended by the strategic management theory.

The concept of strategic planning needs to be redefined from an adaptive perspective. We must not forget that strategic planning is based on consumer knowledge. Strategic planning should no longer be regarded as a rigorous mechanism designed to implement a strategic template. In their daily activity, about 81% of the organizations surveyed make strategic plans. Of these, 41% use in the ratio of over 80% the components of strategic planning processes, and 29% of the organizations use all these components. The activity of budgeting is done in a ratio of 42% for the long term (annually or multi-annually), in a ratio of 39% for the medium term (semi-annually and quarterly) and in a ratio of only 3% for the short term (monthly).

In the long-term, the strategic plan is based on the budget for 67% of the organizations and in the medium and short term 50% and respectively 57% of the organizations adjust their budget in order to fit the measures in the strategic plan.

CONCLUSIONS

In the future, our applied research should be conducted for all the areas of activity and also for the other regions of the country. The study also requires a deeper approach of the content as it is important to have a barometer for the applicability of the strategic management theory in Romania. The main limitations of the research were the small number of survey units (generated by certain constraints in gathering the information) and the small number of the conceptual variables analyzed.

The research results can be a warning for the theoreticians regarding the way certain specific concepts are inadequately understood by managers and improperly put into practice or not at all, thereby questioning their practical usefulness.

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