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STAGES OF A STRATEGIC MANAGEMENT MODEL

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Abstract

In the literature dedicated to strategic management there is no unitary vision of the authors regarding the sequence of actions that give content to the respective process and what their stages are.

With all existing differences, the visions of different authors nevertheless observe the unitary logic of developing a series of actions. These actions begin with the competitive environment analysis in which the organization operates and with the establishment of its strategic mission and they end with the performance evaluation after the strategy has been applied and, if appropriate, with the reconsidering of this strategy and the making of the necessary corrections to it.

Such a basic structure of the process is adopted in most organizations that practice the strategic management. But noticeable differences appear in the degree of the formalization of the process and in the involvement of different managerial levels in the designing and detailing of its components.

Signifying the fructification of provisional leadership throughout the organization, the model of strategic management is a complex process, foreshadowing its future, its long-term evolution, a process in which strategy formulation, implementation, evaluation and permanent control unite and complement each other in a continuous, dynamic and iterative flux.

It requires a coherent approach to external and internal factors that have or may have an effect on the organization, can influence its performance and existence and hence the development and implementation of rigorous and explicit strategies that enable organizations to successfully cope with changes likely to occur in the environment, to adapt in order to survive and develop.

Stages and phases of the strategic management model

1. Establishing the model of strategic management

During this stage it is necessary to specify two categories of matters, namely the assumptions in relation to which the model of strategic management is elaborated and the main categories of information that can be capitalized in the strategic process (Figure 1).

In this respect, specialists recommend considering the following *assumptions*:

- specifying the lifecycle phase in which the organization is (start-up, growth, maturity, decline);
- choosing the strategy depending on the situation of the organization on the market;
- taking into account the nature and age of industry;
- assurance of the continuity of the strategic process;
- systemic vision on the organization and its working environment;
- assurance of the flexibility of the strategic process;

- internationalization of the national economies and of the trends in this area;
- international transfer of managerial know-how.

The main categories of information that can be used in the strategic process

In the strategic process, the information provided by diagnostic studies, studies for analyzing the competitive environment, market studies and environmental studies are necessary.

The starting point and, at the same time, the first sequence of establishing the model of strategic management is *the diagnosis of the managerial and economic and financial viability of the organization* which aims at highlighting the main malfunctions and strengths and, on this basis, to make recommendations, focused on the reasons for generating positive and negative deviations (Grecu and Grigore, 2013).

Identifying the cause of malfunctions and strengths is a natural consequence of the investigation and detailed analysis of the organization and its subsystems, using appropriate methods and techniques such as:

- The questionnaire, the interview, the data evaluation (self-evaluation) and the analysis of informational situations of analytic and synthetic character (the balance sheet, the annual report, the income and expenses budget, the trial balance, the organization chart, the rules of organization and operation, the flow chart, etc.)
- The analysis of information using methods of establishing the causal relations, the separation of results, of comparisons, and of the influence of factors.

The second important basis is represented by the analysis of the competitive environment that must provide relevant information on the absolute and relative market share held by the organization, the competitive forces

(competitors, potential new comers, substitute products, suppliers, buyers) existing within the industry in which the organization operates, but also to the main opportunities and threats (vulnerabilities) of the environment (Cârstea et al., 2002).

The marketing study, the third basis of the strategic management model, offers information on markets or market segments with the best prospects for the organization, the level of prices accepted on the market, ways of distribution of products on the market, promotional activities.

Another major element of the content of the justification stage is the development of ecological studies. Its importance is conditioned by the field of activity, the size and location of the organization, but in all cases such studies substantiate the alignment of the organizational development to the requirements imposed by the environment, emphasizing: the polluting activities, the quantity of pollutants emitted into the atmosphere, the costs of pollution, as well as the main ways to mitigate or eliminate the pollutant character of some microeconomic activities.

The last information source for establishing the model is the national economic strategy. The forecasts within it represent major landmarks in directing the organization's strategy, especially in terms of its technical dimension. The global organizational strategy as a whole, especially at the level of large and small to medium sized organizations, should reflect the requirements of the national economic strategy, the integration of Romania into the European Union. This provides guidance to develop the organization in accordance with the main macroeconomic developments foreshadowed for the next period.

2. Elaboration of the model of strategic management

The elaboration of the model of strategic management reflects the clarity of

the top level conception of the organization regarding the major coordinates of the activities and the performance to be achieved.

Given the complexity, but also its importance for the long-term success of the organization, a realist and explicit model of strategic management implies the following stages (Figure 2):

a. Establishing the organization's mission, meaning explaining the relationships between management, employees and the environment and ensuring consensus on the objectives envisaged in the context of the development and promotion of appropriate policies for the use of resources.

b. Determining the strategic objectives, which means expressing the quantitative and/or qualitative goals for which the organization was founded and it currently runs.

The system of categories of objectives is based on the strategic objectives. It includes fundamental, derivate, individual, and specific objectives. This stage is influenced by the potential economic and managerial viability of the organization, environmental threats and opportunities, subject to certain requirements relating to environmental pollution, the objectives of the organization as well as some assumptions (taking the stakeholders into account, flexibility of strategy, and internationalization of the economic activities).

c. Specifying the means for achieving the objectives (strategic choices), in this category we include managerial remodelling, privatization, diversification, specialization, cooperation, and information services.

In setting the strategic choices, the management of the organization must consider and take into account the present and future threats and opportunities of the environment, as well as the internal potential of the organization, its strengths and weaknesses, the potential competitive advantages over other competitors, all

these prompting the organization's action capacity, its, ability to adapt and respond to environmental challenges. At the same time, it should also be taken into consideration several assumptions, such as: the international transfer of managerial know-how, the internationalization of the economic activities, the strategic differentiation depending on the stage in the life of the organization (Pivod , 2013).

d. Dimensioning of the resources committed to objectives' achievement, namely dimensioning of the investments fund, working capital, staffing needs. At the same time, the funding sources are specified. In this stage, a major influence is held by the provisioned strategic choices, the stakeholders of the organization, as well as its potential for economic stability.

e. Setting intermediate and final deadlines for achieving the objectives.

f. Determining the competitive advantage, by acting, mainly in two directions:

- achieving a low cost of products or services (under the average cost in that branch), which can lead to an attractive price for buyers. Such a means characterizes the organizations with large series or mass production;
- manufacturing and marketing of products different from those of the competition, preferred by consumers due to their superior quality parameters.

g. Assembling the above-listed components in the global strategy concerning the organization. At this stage one can speak of a genuine global strategy, mentioned in a material that can be applied through the involvement of a wide range of managers and performers of the different departments.

h. Developing partial strategies (on different fields), which concerns both procedural components (functions or activities) and organizational and structural (departments or groups of departments) of the organization: for

example, commercial strategies, and included in them, marketing strategies, production strategies, innovation strategies.

i. Designing the global policy and the partial policies of the organization. Based on the global strategy and the partial strategies, the policies come to materialize on shorter time intervals (from one month to one year) the strategic components in a constructive manner, thus ensuring the necessary prerequisites for the effective capitalization of the potential of the organization.

j. Articulating the strategic management model, by combining all its components.

3. Implementing the strategic management model

In the process of strategic management, the stage of substantiating strategy and its formulation is followed by the application of the strategy.

The transition from one stage to another means the production of deep changes in the nature and content of the strategic approach: its character intensely intellectual, informational and decisional, thoughtful, analytical, strategic visions, entrepreneurial judgments from the stage of formulating the strategic model, is replaced with one of action and experimentation in the concrete circumstances of the business organization's activities, circumstances often characterized by conflicts, adverse reactions, rejection of the idea of change induced by the strategic model, misunderstanding of the meaning of change, interests fights, involuntary or deliberate errors (Danciu, 2001).

Depending on the intensity of the listed factors, one can choose one course or the other of carrying out the strategic model, i.e. the one which fits best the organization's situation at that time and its presence in action. One thing is certain: the process of applying the model is unique and unrepeatable; claiming the manager's thorough knowledge of all the

requirements of the implementation process, careful establishment of priority actions to be undertaken and of those to follow.

For the successful implementation of the strategy is it necessary to go through the following steps (Figure 3):

a. preparation of the organizational climate, the main directions of activity are:

- increasing employees' reaction towards innovative elements;
- reducing resistance to change;
- changing the culture of the organization.

b. ensuring human, material, financial and informational preconditions;

c. ensuring management conditions, acting for the improvement of the management system components (methodological, informational, decisional, organizational);

d. operational provisioned strategic changes. This last stage, together with the provision of managerial conditions, and also global and field policies, determine the economic and managerial performance of the organization (Figure 4).

4. Evaluation and control of the performance of model of strategic management

The presentation of the implementation process of strategic management officially finishes with the stage of evaluation and control. In the process of applying the model of strategic management, the policies and procedures that guide the actions according to strategic plans cannot ensure the total compliance of these actions with the standards set forth, requiring strategic control and evaluation of strategy (Doval, 2004).

Functional strategies provide a clearer picture of the pursued strategic objectives and of the actions that needs to be taken in order to achieve them.

The organizational structure ensures the organizational support necessary to achieve the objectives while the training of people contributes to their orientation

toward the adoption of favourable components to achieve the strategy.

The control and evaluation aim at checking if all the efforts contribute to the smooth functioning of the assembly and to the achievement of the strategic management model, to highlight its feasibility in relation to the organization's potential and capacity, as well as to the unpredictable changes in the environment.

They provide identification of the irregularities or errors that may occur in the implementation process and, consequently, of the possibility to apply corrections or revisions of the strategy, thus, ensuring the reverse connection.

Performance evaluation involves measuring the results of the undertaken actions while control seems to be a comparison between desired and obtained results.

According to the model, in accordance with the provisions of strategic plans, of set standards, and of ensuring managerial conditions, certain managerial and economic performance is registered, deviations (positive or negative) between standards and performance are noticed, deviations are measured and located through strategic control, on this basis correcting the strategic plans and standards, as well as the strategic performance.

It follows, therefore, that the strategic inspection process involves two stages:

- ✓ the comparison to determine the extent of the correspondence of the actual or real performance, with the standard performance. As a rule, by comparing misconduct is discovered. As such, managers must specify the acceptable deviations, and when the comparison has as a result unacceptable deviations, it is necessary to take measures to redress the situation.
- ✓ the correction involves two moments of decision, namely:
 - to correct performance;

- to correct the strategic plans and the performance standards.

At the same time, the strategic plans and performance standards are assessed, thus reinforcing the performance evaluation and the evaluation of the model of strategic management.

The main features of the model are:

- *dynamism*, the fact that all strategic decisions made are subject to future changes, brought about by the changes that will occur within the organization or in its surrounding environment;
- *its iterative nature*, the fact that the establishment of strategies, of the strategic plans that reflect them, of the supporting policies, requires frequent reconsideration of what was previously established, resuming of abandoned elements at a specific time, frequent debates and agreements agreed of initially divergent points of view;
- *integrated character*, the fact that the success of the process depends on the capacity of the organization's managers, primarily that of the seniors managers, to harmonize all the elements of strategic management, to integrate them organically into a unitary concept and to determine the entire staff of the organization to apply them in the spirit in which they were defined;
- *participatory character*, in the sense that the success of the process depends on the effective and substantial involvement of all the managerial staff in defining the strategies and the strategic plans; the whole staff of the organization being involved in their application and also in the evaluation of the results obtained afterwards;
 - *the highly variable degree of stress* involved completing the various stages and actions of the organization, meaning that some

concern almost exclusively and very intensely senior managers, while others involve proportionally managers at all hierarchical levels, and finally, others involve managers and executives at different levels of intensity

- Whereas, particularly in situations of uncertainty and rapid mutations of the environment, it is impossible to capture all the aspects (technological ruptures, entrances of new competitors, customers' pressures, state's interventions) through formal analysis techniques, the strategic „reasoning” is not enough.

This must be doubled by the intuition and creativity of the managers, by their imagination and vision on the evolution of a phenomenon or the other and of the organization that they lead. Besides formalization, they provide the binding agent that maintains the cohesion of the organization, which helps it to formulate and implement coherent strategies, to increase its flexibility and to successfully adapt to change.

Moreover, in order to be a good strategist, an organization manager must train in order to develop their talents and improve their skills in the following directions:

- ✓ originality of thought, expressed through the ability to interpret the evolution of the external world;
- ✓ sensitivity, consisting in sensing partners' and consumers' expectations;
- ✓ selection capacity, namely the ability to retain the most important events, key opportunities and main threats;
- ✓ ability to adapt to change, in other words the ability to think constructively, using change and anticipating the changes of situations which may intervene;

- ✓ concentration and perseverance in achieving a goal, improving long-term vision.

It is also essential that the organization provide a mass innovative movement, beneficial and challenging at the same time. It is important to remember that innovation is best done by the people who are closest to the problems of the organization and of the customers.

The most effective strategic changes are generated at lower hierarchical levels, hence the special importance of communication between managers and other categories of employees. It is important to understand that innovation is, first and foremost, a state of mind, and that is why it is necessary to educate all the employees in this respect.

At the same time, the model of strategic management should allow the organization to be unique, "not imitate the others". It is often found that, even some western organizations seek to emulate other companies, particularly those that have been successful. There is a real and serious danger of strategic and operational standardization.

A good strategy determines concomitantly the differentiation of the organizations and the optimization of their activity.

The strategy is necessary to make the organization "transparent", in the sense that all those involved in its activities, including customers and consumers know the problems discussed. The transparency of strategy and of management in general represents the foundation of the competitive operation, which at present relies on the collaboration in organizations and on close contacts with customers, suppliers, banks and the government.

5. Conclusions

A good strategic model has to take into consideration a number of priority factors.

A prime factor would be the involvement of all the employees in the organization's strategic processes.

The second factor of influence refers to the strategic knowledge of the competitors. Although they often talk about them, it has been noticed that most of the organizations do not know them enough, often behaving as if they do not exist. A systematic approach regarding *what*, *how*, and *with what* results the competition acts, is recommended. The good ideas of the competition must be taken and developed taking into account one's specific conditions;

The last, but not least factor implies accepting the fact that a strategic exercise should be repeated for many years in order to become fully competitive and efficient. International practice shows that, as a rule, it takes three to four years to learn to develop and apply a good strategy. It is important for the organization to notice that from the beginning and to act accordingly.

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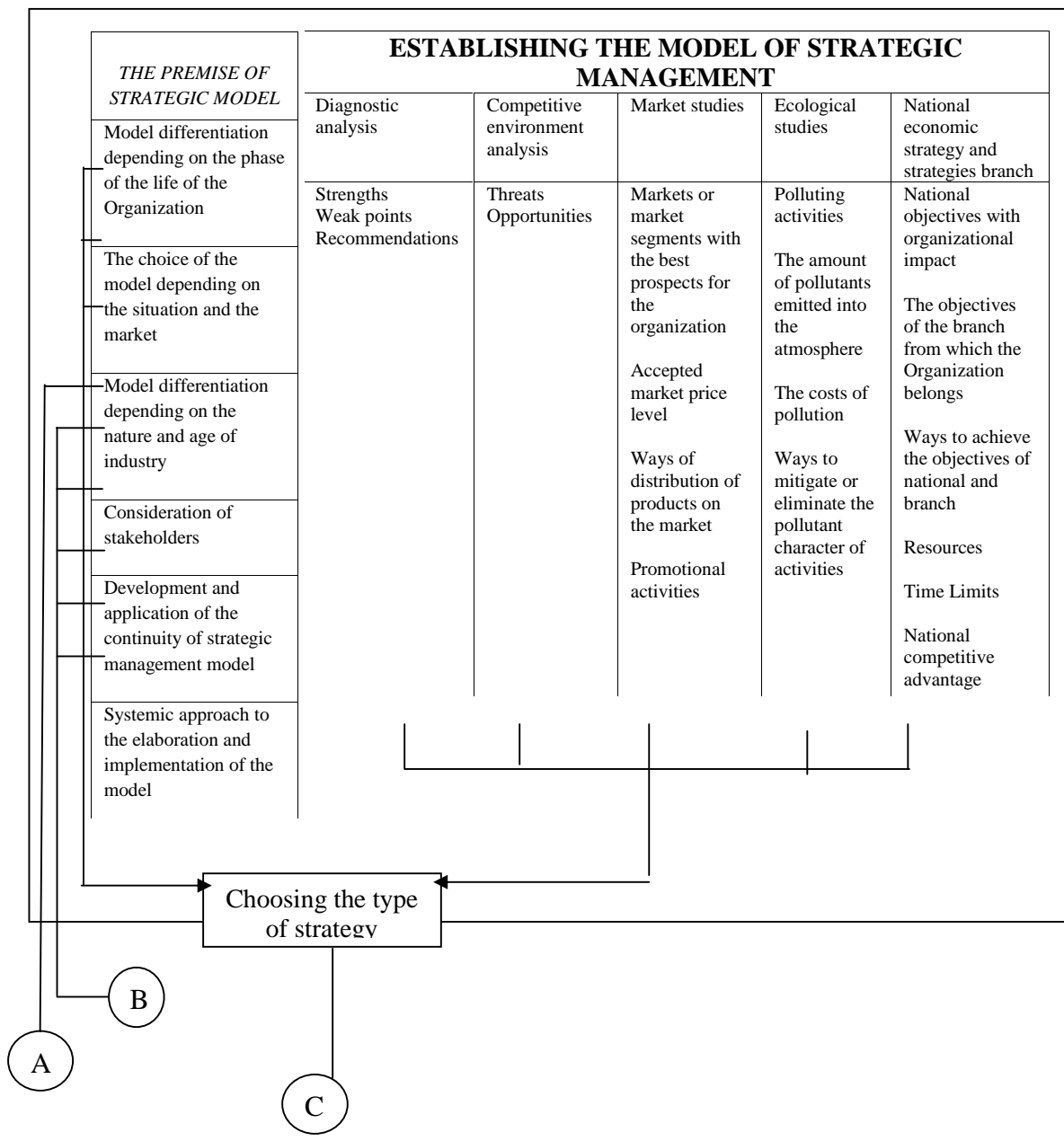


Figure No. 1 Establishing the model of strategic management

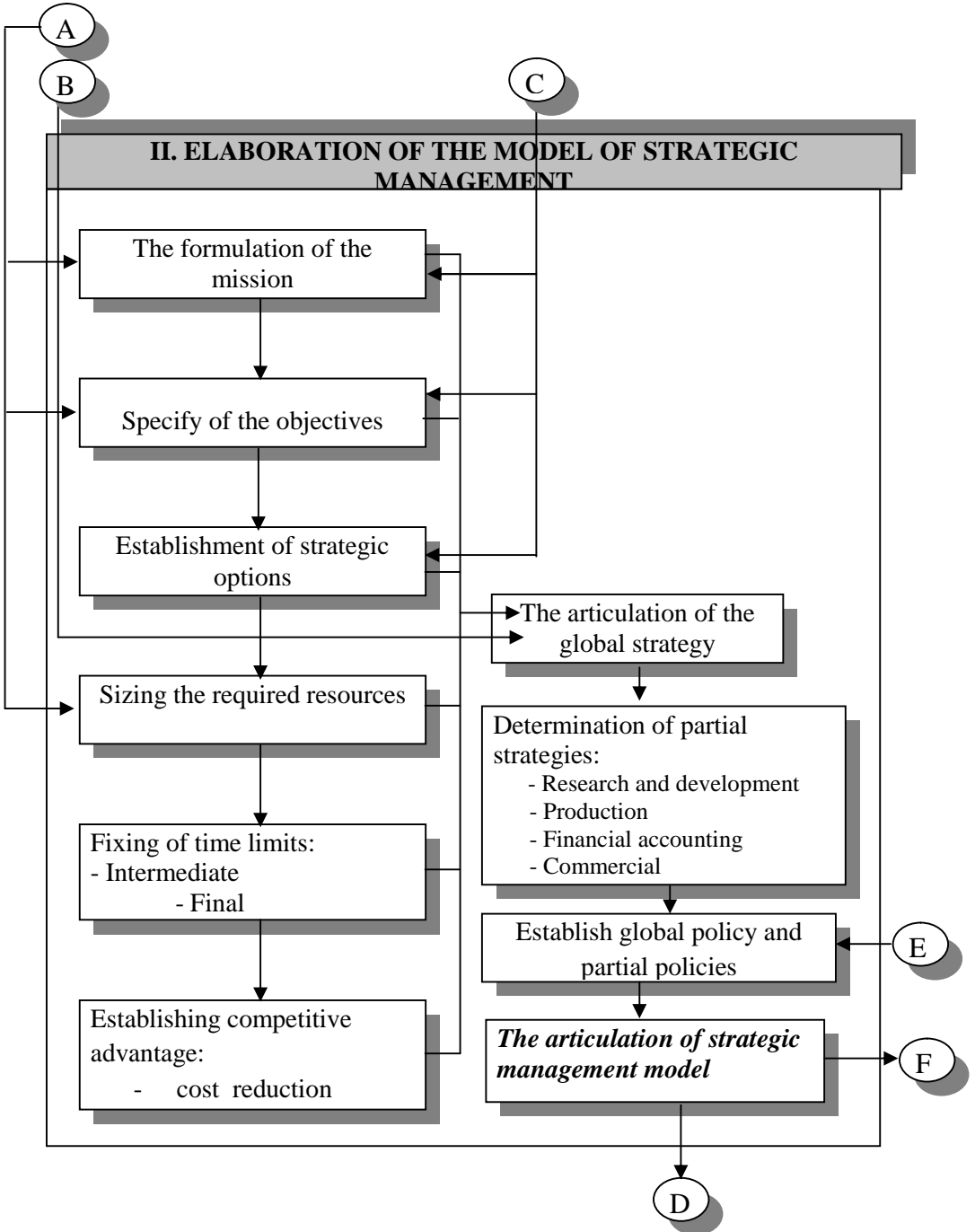


Figure No. 2 Elaboration of the model of strategic management

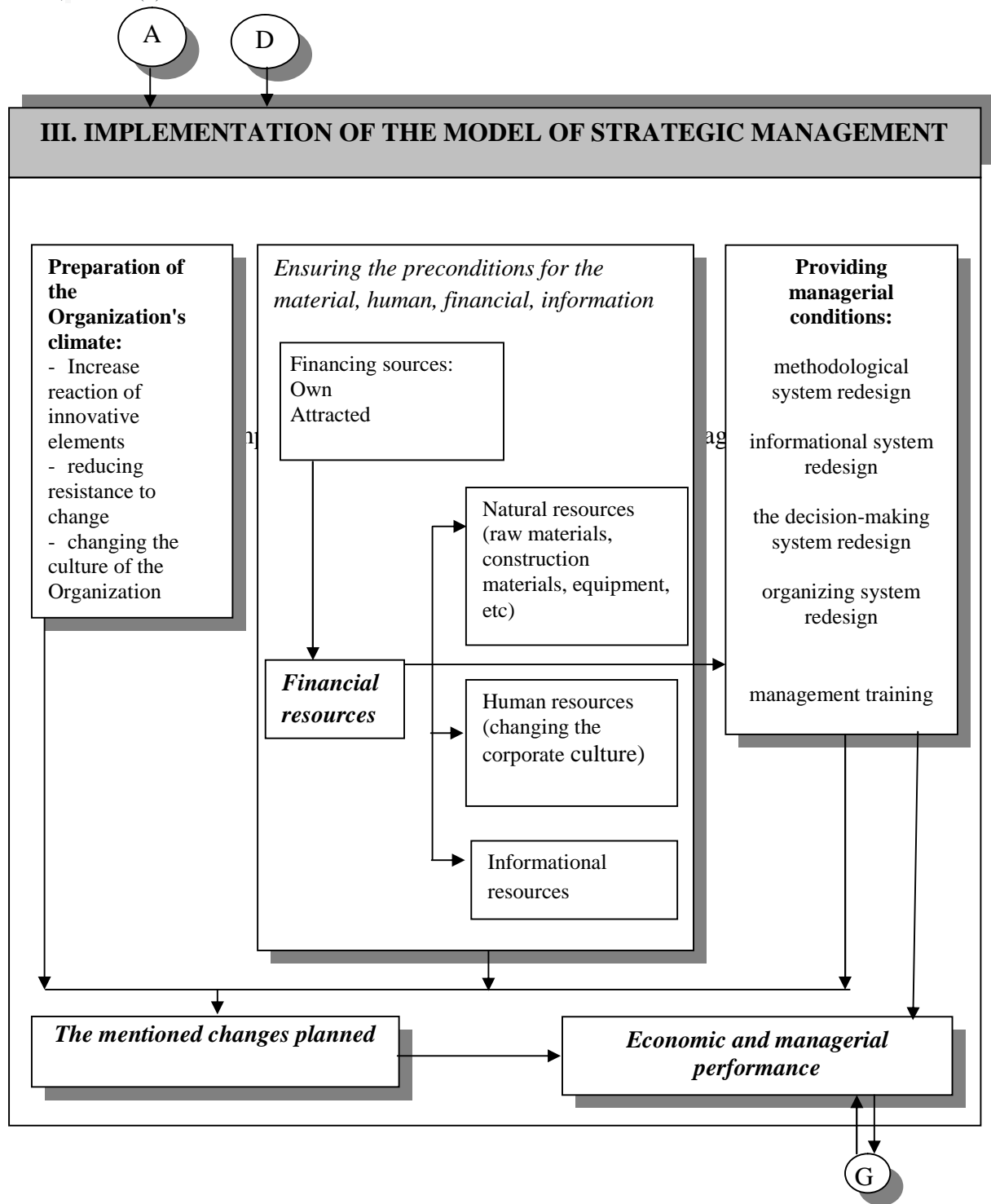


Figure No. 3 Implementation of the model of strategic management

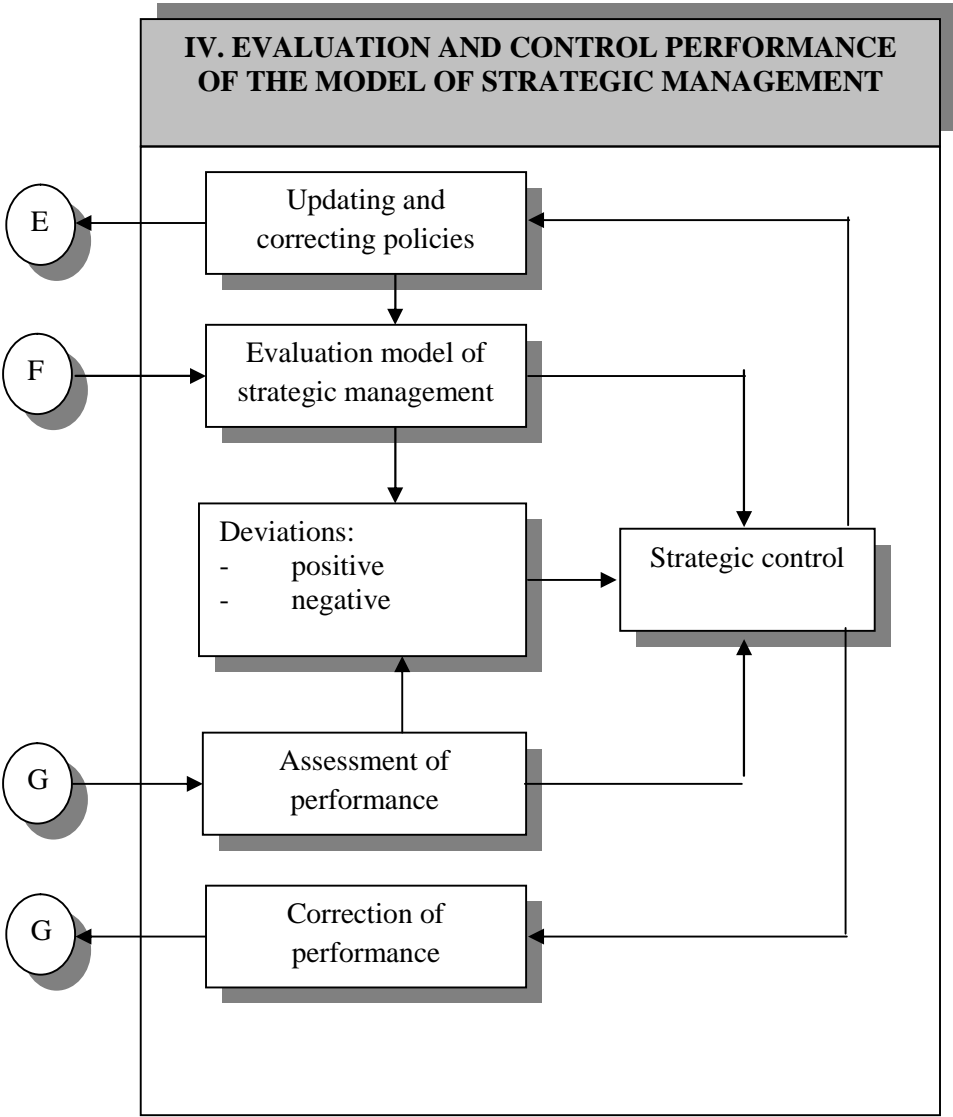


Figure 4 Evaluation and control performance of the model of strategic management

