APPROACHING MODEL OF THE STRATEGIC MANAGEMENT PROCESS OF THE COMPANY

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Abstract: *Strategic management as a specific form of predictive leadership appeared as a natural reaction to accelerating changes and enhancing its effects. The success of the strategic management process is conditioned by the observance of the procedures, succession of the actions and their staging. The shared model is iterative which includes the following steps: strategic analysis, strategy formulation, implementation of the strategy, surveillance and evaluation of the strategy. This model meets some imperious requirements as harmonization and organic integration into a unitary concept of strategic management elements; effective involvement on all hierarchical levels of the managers into strategy formulation and implementing strategic plans; the possibility of making corrections and improvements during the implementation of the strategy. By approaching the strategic management process as a leading and self-regulating system, attempts were made in explaining the optimization of the system's operation related to the environment, the self-regulation being an indispensable condition in ensuring the balance and the stability of the company system.*

Keywords: Strategic analysis, GINI indicator, SWOT analysis, MARKOV chains, PORTER Model, Evaluation of the strategy, Self-regulating system.

JEL Classification Codes: L21, M10.

1. INTRODUCTION

Within strategic management literature there is no unitary vision of the authors towards the succesion of the steps nor of the actions regarding the process and their staging (Russu, 1999). However, a unitary logic of the conducting actions that begin with an analysis of the current situation, continuing with the implementation of the strategy and ending with the performance appraisal following the implementation is distinguished. For example, the model developed by A. Sharplin (1985) includes two steps: formulation of the strategy and implementing the strategy, next the model developed by W. Glueck (1980) includes four steps: analysis and diagnosis, making the choice, implementing the strategy and appraisal of the strategy. Other models such as J. Pierce and R. Robinson (1991) model structures the strategic process in nine steps and Peter King recomends eleven steps. From O. Nicolescu and I. Verboncu (1999) point of view, the process is structured in three major steps: subtantiation of the strategy, elaboration of the strategy and implementation of the strategy.

The idea that emerges from this study is that in order to increase the the competitiveness of the company on long term a rigurous strategic analysis is required that targets its internal and external enviroment.

In the methodology of research, the following procedures were used: analysis of the flexibility of exploitation, the prediction of the market share, calculation of the rates of diagnosis

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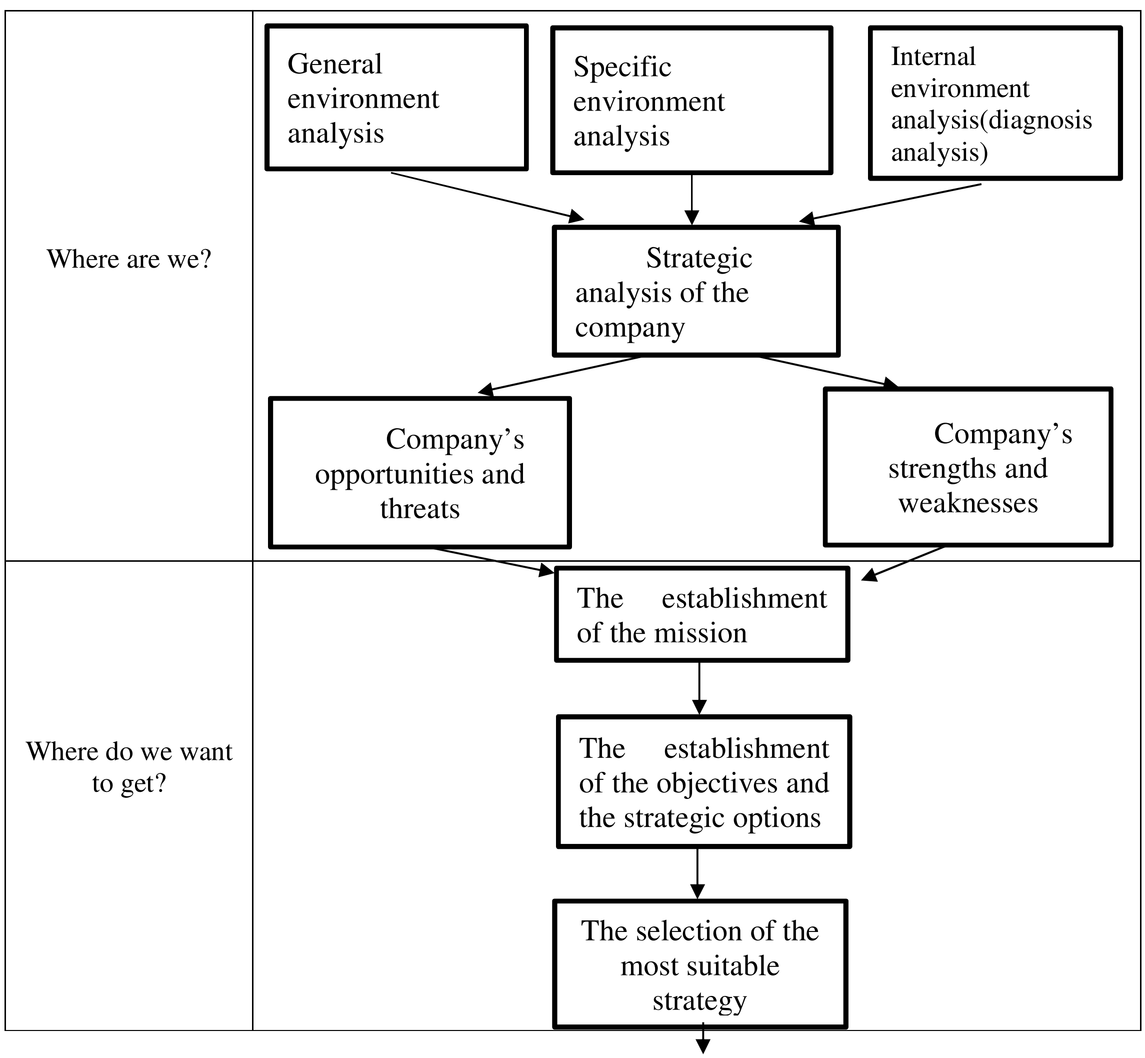
analysis boards, quality analysis, analysis of the competition structure, appraisal of the competitive position, SWOT quantitative model, quantitative and qualitative appraisal of the strategy, self-regulating leading system.

This study subsidiary targets the general principles of management: the principle of effectiveness and efficeny and the principle of permanent correlation, adjustment and improvement of the management system at the present situation within the company and the socio-economic context in which the operate.

2. THEORETICAL ASPECTS

Strategic management (Russu, 1999) is an ample and complex process of taking actions and decisions, through which the company's top management based on the anticipation of the changes that will occur in its internal and external environment, ensures rigorous formulation, appropriate application, permanent appraisal of the accordingly established strategy so as to the company grows on long term. The strategic management steps are presented in figure 1.



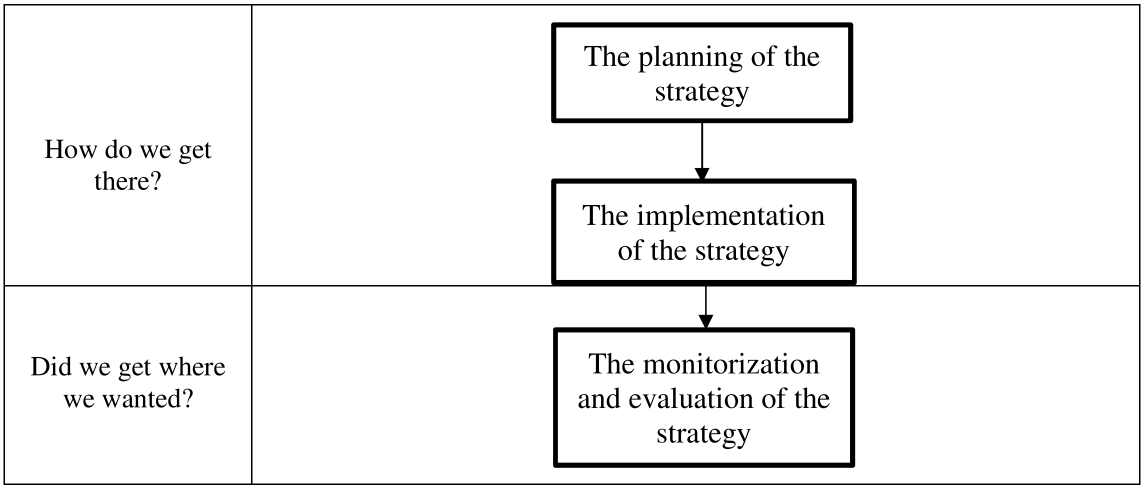


Figure 1 Strategic management process

Source: Mereuță C., Decisional simulation, Master Course Support, University of Pitesti, Faculty of Economic Sciences and Law, 2004

Strategic analysis of the company includes the external general environment analysis, the specific external environment (competition), and the internal environment also named diagnosis analysis.

The target of this strategic approach is increasing the competitiveness, factor which conditionate all the other performance indicators of the company (Mereuță, 2004). It is considered that a company is competitive if it is capable to maintain itself on the competitive market, is evolutionary on long term, and is taking all the necessary measures in order to achieve this objective.

3. THE ITERATIVE MODEL OF STRATEGIC MANAGEMENT OF THE COMPANY

The model we propose includes four phases.

3.1 Strategic analysis of the company

3.1.1 Internal environment analysis

Diagnosis analysis must include measurable and unmeasured directions (Mereuță, 2004; Mereuță, 1994): market, finance, technology, exploitation, human resources, quality and management. The specific actions of those directions are as it follows:

- calculation of the dynamic evaluation rates and their analysis (tables 1 and 2);

Table 1. The input data table

Nr. Crt.	The indicator name	N-2 Year	N-1 Year	N Year
1.	Turnover (Tn)			
2.	Export revenue (Er)			
3.	Exploitation outgrowth (Eo)			
4.	Outstanding payments (Op)			
5.	Financial expenses (Fe)			
6.	Wage costs – total (WcT)			
7.	Added value (Av)			
8.	Debt recovery (Dr)			
9.	Stock (St)			
10.	Number of employees (Ns)			

11.	Energy expenditure (Eex)			
12.	The industrial products price index (IPP)			
13.	Consumer price index (CIP)			
14.	The gross result of the exercise (GR)			

Source: Mereuță C., Decisional simulation, Master Course Support, University of Pitesti, Faculty of Economic Sciences, 2004

Table 2. The processed data table for the dynamic appraisal

Nr. Crt.	The name of the rate	Alarm threshold	The value			Trend
			N-2 Year	N-1 Year	N Year	
1.	Exploitation outgrowth (Eo/Tn), %	-				
2.	Export intensity (Er/Tn), %	-				
3.	Outstanding payments (Op/Tn), %	≥50%				
4.	Financial expenses (Fex/Tn), %	≥25%				
5.	Wage costs (WcT/Av), %	85%				
6.	Debt recovery (Dr/Tn x 365), days	-				
7.	Energetic efficiency (Eex/Av), %	-				
8.	Stock rotation (Tn/St)	-				
9.	The dynamic of the turnover, lei (Romanian currency)	-				
10.	The productivity (Av/Ns), lei/employee	-				
11.	The reliability of the job (the number of employees)	-				

Source: Mereuță C., Decisional simulation, Master Course Support, University of Pitesti, Faculty of Economic Sciences, 2004.

Notes:

1. For the rates presented on the points 3, 4, 5, 6 and 7 the meaning of the trend (arrows) is inverse to the obtained values.
2. The 3, 4 and 5 rates assess the major managerial risks relating to financial security and wage policies.
3. The dynamics of the turnover and of the productivity is calculated in comparable prices, by dividing the obtained values at the industrial products price index (IPP).

- ➢ analysis of human resources: the average qualification level, age structure, use of working time, work safety, improving staff training, motivating the employees, working conditions, absenteeism and fluctuation of the workforce;
- ➢ management analysis: company's strategy, the quality of the managerial process, the quality of the management team, the use of managerial methods and techniques, the informational system of management;
- ➢ quality analysis: behavior of the product in service, fabrication quality check, authority of quality function, quality of supply, quality costs;
- ➢ analyzing the company's ability to maintain its financial balance to sudden changes in the external environment by calculating the profitability threshold and the exploitation flexibility;

➢specification of the life cycle phase of the company (Nicolescu and Verboncu, 1999): beginning, development, growth or expansion, stagnation or decline, comfort, ownership

change and/or legal form change, the strategy to be adopted will depend to a large extend on the stage of the company's life cycle;
- analysis of the products and activities portfolio structure by means of BGC matrix;
- forecast of the company's market share over a two-three years period using the Markov chains (Gagniuc, 2017).

3.1.2 External environment analysis

Includes as activities:
- Analysis of the competition structure by means of the GINI indicator, from which the degree of concentration of the market on which it operates is deduced.
- Assessing the competitive position of the company (Russu and Albu, 2005) by means of the grid that uses key success factors in relation to criteria: position on the market, company's image, position on costs, technical and technological skills, profitability and financial strength.
- Analysis of competitive forces on the market with M. Porter's model (Porter, 1980): the threat of the newcomers, the power of supplier's negotiation, the power of buyer's negotiation, the threat of substitution products and services, rivalry between existing companies.
- the analysis of factors related to external environment (Mereuță, 2004): state intervention, economic conjuncture, legal regulations, technological and socio-cultural aspects, the commercial structure of markets.

3.2 The formulation of global strategy

Within the formulation of global strategy it is recommended that the SWOT quantitative model to be used (Sthal and Grigsby, 1992; Militaru, 2010), which includes two stages of work:
- identifying the SWOT dial based on the internal factors matrix (strengths and weaknesses), and on the external factors matrix (opportunities and threats), resulting in the coordinates of the point that will fall into one of the four dials to which they correspond to generic growth strategies, propulsive at risk conditions, restraining strategies and strategies to overcome weaknesses;
- the formulation of the precise strategy, facilitated by identifying the SWOT dial from the previous stage.

It is configured the overall global strategy: the mission is updated, the fundamental objectives, the strategic options and the necessary resources are dimensioned, the intermediate and final deadlines are set and the competitive advantage is established. The global strategy underpins the establishment of partial strategies, delimited both on functions and activities as well as on organizational subdivisions of the company. Afterwards, there are conceived the global and partial policies that are based on company's strategy, with a shorter time horizon and more thorough.

3.3 The implementation of the strategy

The process of implementing the strategy has more difficult issues for the company's management and it is unique and unrepeatable. Strategy implementation targets the following priority actions (Russu 1999):

a. identifying individual and/or collective resistance to strategic changes (Ansoff and McDonnell, 1990);
b. adapting the organizational structure to the adapted strategy, according to the general management principle "the structure follows the strategy". There are six ways to approach the organization of companies in relation to their strategy which lead to appropriate forms of organizational structures: entrepreneurship, functional, on geographic areas, divisional, on strategic business units, matrix (Mintzberg, 1979);

c. allocation of financial, physical and human resources, taking into account the use of allocation criteria, balancing the necessary resources with those available, the way of engaging resources in time (Glueck, 1981);
d. harmonizing organizational culture with the strategy that is being applied, the culture being oriented towards getting better results and cultivating the spirit of excellence (Thompson and Strickland, 1987).

All these elements of strategy implementation can be synthesized into a plan (table 3).

Table 3. Program to prepare and implement the strategy

Nr. Crt.	Measure (The action)	Necessary Resources	Responsible	Deadlines		Remarks
				Intermediate	Final	

Source: Nicolescu, Ov. Verboncu, I., Management revised Third Edition, The economic Publishing House, Bucharest, 1999, p. 186.

3.4. Monitoring and evaluation of the strategy

Through monitoring or strategic control (Russu, 1999) the implementation of the selected strategy is pursued, finding new and potential problems and there are made necessary corrections to ensure compliance of achieved performance with established objectives. It is obvious that as the implementation of the strategy advances it is necessary to revise it and adjust strategic plans. In this way, managers are able to notice warning signals with the ability to keep them under control using as main tools: budgets, financial rates, liquidity rates, rates on debt and overall activity of the company, statistical data, operational audit.

An essential role is played by managers' reaction to shocks and extreme disturbances, to constraints and restrictions. Through evaluation of strategy it is determined to what extent this corresponds to the company's mission, its strategic objectives, available resources, based on the comparison of the results achieved with those provided.

The qualitative criteria that may be used by managers to evaluate the strategy are (Russu, 1999; Bărbulescu, 1999):

- consonance: when it is in conformity with the tendencies that occur in the general and specific external environment;
- compatibility: seeks to what extent the adopted strategy is consistent with the purpose and policies of the company, when providing a proper climate for coordinating the activities, as well as a good harmonization between the company culture and the way the strategy is achieved;
- the advantage: it must materialize in providing superior resources of higher skills and qualifications and a superior position on the market;
- feasibility: it should be noted that the company has the specific resources and capabilities to implement the adopted strategy.

Quantitative evaluation of effectiveness and efficiency of the company's strategy is achieved by purchasing the results recorded as a result of applying the strategy with those obtained before its application and the results of other competitors. In this case, the rates calculated in the processed rate table are of real use (table 2).

4. THE PROCESS OF STRATEGIC MANAGEMENT AS A CYBER- ECONOMIC SYSTEM

The process of strategic management falls into the category of self-regulatory leading systems (fig.2) that belong to optimal cybernetic leading systems (Scarlat and Chiriță, 1997). The system has a structure and evolutionary trajectory. The structure of the system changes because of the action of internal causes and external disturbances (ΔZ) and can be represented by the values that some important indicators take (tables 1 and 2). Through Δu inputs the information is transferred from the environment to the considered system, and through the Δy outputs energy and information is transferred from the system to the environment and influencing other cybernetic systems.

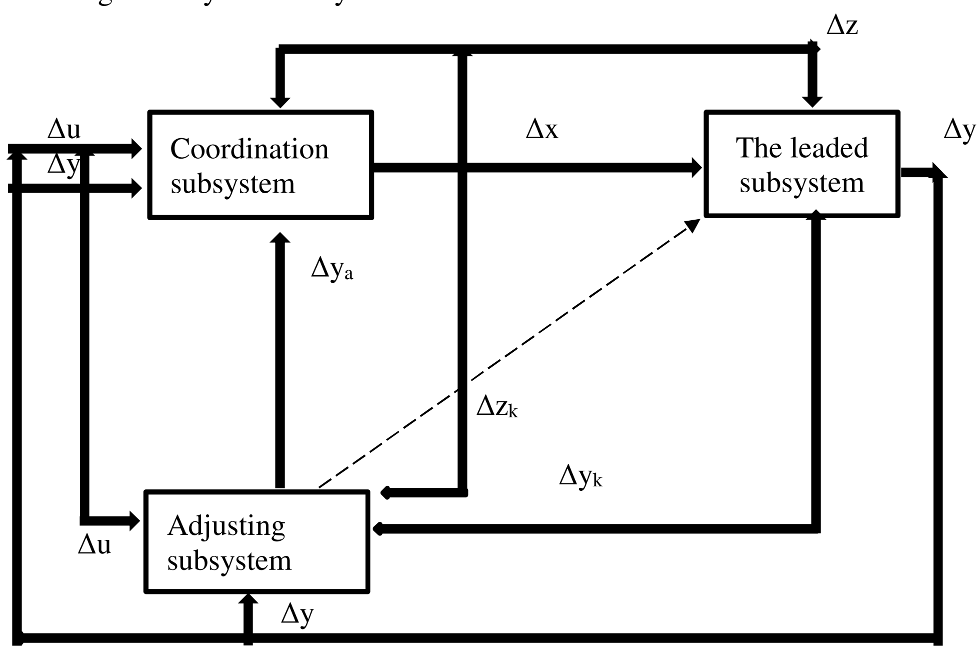


Figure 2 The functional structure of the self-regulating leading system

Source: Scarlet, E., Chiriță, N., The bases of economic cybernetics, Economic Publishing House, Bucharest, 1997, p. 268.

The presented system retains its organization as it collects and uses environmental information, informational sintropia tends to increase and information entropy to decrease.

The leading system with coordination and adjustment subsystems is organized on hierarchical systems and performs the following actions:

- sets mission, objectives, resources based on strategic analysis (p. 3.1);
- formulates the global strategy (p. 3.2);
- organizes the structure of the leaded system (p. 3.3);
- monitoring and evaluation of the strategy (3.4).

The leaded system fulfills the decisions and strategies adopted at the level of the management system, meaning applying the strategy to achieve the strategic plans.

The cybernetic system of the strategic management process has direct and inverse connections that are established between state and command variables. Through feedback mechanisms composed of several feedback loops, the system ensures self-regulation and self-organization in relation to the established objectives and its connections with the external environment of other cybernetic systems and subsystems. Within the feedback loop the leading system compares the current state of the system before applying the strategy with the desired state after applying the strategy, noticing differences between them. Thus transmitting different and complex effects between the state variables and the command variables, which can be amplified in the case of positive feedback loops, generating a general effect that gives the dynamics of the system. In conclusion, the behavior of the entire system results from the combination of the monotone and oscillating elementary dynamics of the positive and negative feedback loops that compose it.

5. CONCLUSIONS

The strategic management process of the company as a decision-making process must provide pertinent answers to the questions: Where are we? Where do we want to get? How do we get there? Did we get where we wanted to?

The strategic analysis is focused on the diagnostic analysis with its specific quantifiable and non-quantifiable directions and on the general and specific external environment analysis. In formulating the global strategy of the company a decisive role is played by the quantitative SWOT model and the phase of the life cycle of the company.

The priority elements in implementing the strategy must be the allocation of human, financial, physical resources and the harmonization of organizational culture with the strategy that applies. The quantitative and qualitative criteria used in the evaluation of the strategy appreciate to what extent this corresponds to its application of the company's objectives.

This study with further improvements may be the basis for:

a) a decision-making simulation project on the strategic management of the company, oriented towards the foundation and adoption of a company's strategies, as well as the decisions for its implementation;
b) developing diagnosis in competitive environments and building a competitive management system;
c) elaboration of a future study on the correlation strategic management - programmed organizational changes aimed at the management forecasting function.

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