

ADVANTAGES AND DISADVANTAGES OF THE STRATEGIC MANAGEMENT IN THE CURRENT ECONOMIC CONTEXT

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ABSTRACT: The current management is not possible without strategic thinking. Strategic management is a mean of modern management, focused on changes and amendments to be made in the organization and within its interactions with the environment in which it operates. There are a lot of benefits of practicing strategic management. Scale studies conducted on this subject showed that companies which apply strategic management are significantly better than those for which this form of the management has no interest and that employees from the first category are higher motivated. Also there are a number of limitations in the use of strategic management that shows that this method of management and, like others, is not universal for any situations and problems. In any case, in the current economic context the strategic management is necessary and is a premise for the realization of the sustainable development of an organization, and thus- of the economy and society as a whole.

KEY WORDS: Strategy, strategic management, sustainable development

1. INTRODUCTION

The current management is not possible without strategic thinking. The manager must know the company's strategic position, understand the influence of changing conditions, monitor internal and external environment of the company and choose the right time to change strategy.

Strategic management is the most exciting of management disciplines. Strategic management is about success and failure, about the ability to plan wars and defeat them. An effective strategic management performance can transform an organization, bring wealth to shareholders, or change the structure of an industry. An inefficient strategic management can fail whole companies [5].

Strategic management is a mean of modern management, focused on changes and amendments to be made in the organization and within its interactions with the environment in which it operates, in order to avoid situations in which goods and services provided by the organization, their production and sale, entire activity become outdated, inconsistent in relation with produced changes [3].

Thus, strategic management becomes a premise for the realization of the sustainable development of an organization, and thus- of the economy and society as a whole. The last one implies the following:

- Redimension of the economic development, taking in consideration a more efficient and fair use of resources so as to obtain qualitative products with minimum and nontoxic wastes;
- Increase of the quality of people's life under conditions of satisfying essential needs and by reducing the uncontrolled demographic increase;
- Conservation of the environment quality and of the natural resources [7].

These objectives can be achieved by integrating the concept of the sustainable development in the formulation and realization of the strategy of an organization.

2. BENEFITS OF PRACTICING STRATEGIC MANAGEMENT

Thorough analysis, on a representative sample of companies of different profiles, sizes and economic and financial conditions,

laid out clearly the advantages of the strategic management practice and how they have resulted in their respective work. The most significant advantages are summarized below:

- Ensures the company's ability to prevent problems. Managers who focus employees' attention to planning are assisted in their monitoring and planning responsibilities by subordinates who are aware of the need for strategic planning;
- Provides unity in conception and action at all hierarchical levels within the company. Company strategy is essential benchmark against which are defined all other elements governing the operation of the firm - partial strategies, policies, plans, programs, responsibilities, etc. even if the units and sub-components of the firm have a high degree of functional autonomy, the company's overall strategy is the common denominator to which the management is permanently reported. By elements which it contains, business strategy - set by its top management - provides the basis for detailing the corresponding elements in each unit and subunits, at all levels of management. Company-wide unitary conception and matching actions performed in its overall activity are insured by plans, which is the instrument of coordination and communication for all managers of the company;
- Ensures consistency of strategic decisions with the current and tactical ones and better coordination of all operational and functional units within the company;
- Contributes to the clarification and understanding of the mission and the purpose of the organization and, therefore, increases employment of all staff for their achievement and for the company strategy, creates and develops a culture of enterprise, with a major role in ensuring the efficient development on long term;
- By defining explicit strategies, based on consideration of the three dimensions presented on a broad and on a large participation, also by close combination of strategy formulation and implementation, helps to increase employee motivation and to reduce resistance to change by a better understanding of the performance-reward relationship, respectively, by knowing the limiting factors and alternatives; to create a favorable climate for developing and raising company's performance, performance which, in turn, is an important prerequisite and source of growth of the potential of the national economies;
- Strategic management is the best adapted form of management for anticipating future problems which the company will have, opportunities and threats it will face, given

that in many areas of business, speed of change is accelerating continuously;

- the most important advantage of the strategic management is that it significantly improves economic and financial results of the company, quick development and strengthening its market position, appreciably increases its competitiveness.

Scale studies conducted on this subject showed that companies which apply strategic management are significantly better than those for which this form of the management has no interest and that employees from the first category are higher motivated.

- Most relevant research undertaken for this purpose can quote:
 - Study of I. Ansoff and his associates conducted in 1993 on companies that have adopted major strategic decisions regarding the orientation of the business course; the study convincingly demonstrated the superiority of firms that applied strategic management on those who have not practiced it, regarding the increase of the level of relevant indicators, such as sales volume, the volume of assets, income, quotation, earnings per share etc.
 - The study by Stanford Research Institute on a sample of 210 companies that have registered growth rates above average in increasing sales volume and earnings, and another batch of 169 companies with below average rates, researchers of the Institute explained differences due to strategic planners in the first group of companies.
 - Karger and Malik's study which object comprised 273 companies in the field of chemical, pharmaceutical, electronics and machine building. As in previous studies, the final conclusion was that companies with strategic planning and strategic management exceeded clearly those which did not apply these forms.
 - House Thun's study focused on 18 pairs of medium size and large companies in industries of oil, food, steel, pharmaceutical, chemical and machine building. The research was done on each pair, comparing the current performances of firms practicing or not strategic management and on the level of companies engaged in this form of government, comparing their performances at the beginning of its application to those recorded after 7 years. In this study the results were conclusive: companies engaged in the strategic management have steadily and appreciably improved the performance during the mentioned period, and exceeded in all analyzed indicators levels registered in companies that did not use the strategic planning and did not practice strategic management. - Rue and Fulmer's study evaluated the effects of use of strategic management in 386 companies during a period of three years. The results of this study converge with those of the above studies: companies with strategic management practice, especially large ones, have clearly exceeded the others.

While most studies are devoted to examination of strategic management for large companies, their results are confirmed, however, by few studies on small firms, such as, for example, Robinson's study conducted on 101 small retail businesses (production and services), which also illustrates the favorable impact of the strategic management on economic and financial performances in the long term [6].

Hill and Jones [2] believes that exercise produces real changes in the strategic management philosophy and organizational climate, with beneficial effects on their performance. This provides an enabling environment for the exercise of strategic management, favorable under terms of all its component factors: economic, managerial, technological, socio-cultural,

political, demographic, natural and legal. Strategic management provides a forecasting form of government, a management process of systematic adaptation of the company to the changes in its external environment, through an approach specific to the strategic decision making and an appropriate methodology for its application.

The whole management process requires advancements and recovery, continuous adjustments. Nicolescu sees in strategic management a "process that will stimulate the creative side of people, skilled and knowledgeable in the organization" [4]. Philosophy expressed by strategic management is, in fact, the organization's ability to mobilize itself, to have proactive attitude, to anticipate environment changes, striving to transform constraints into opportunities, in order to obtain a sustainable competitive market advantage.

It is vital to design, at the organizational level, a system of "strategic watch", which refers to the constant surveillance of the external environment and the internal one, in order to detect hazards, and developing the ability to quickly build models of future evolution, so that the organization will be able to intervene quickly [6]. Such a system, based on a wide consultation of staff, has many positive effects: decision is improved by corrections coming from a wide variety of points of view, phenomena of resistance to change are eliminated, develops staff motivation and allows a better mobilization of the creative potential of the organization. Strategic management is a real action system that exceeds strategic planning procedure, adding the need to develop skills and competences which ensure organization flexibility.

3. LIMITS OF THE STRATEGIC MANAGEMENT

Strategic management possibilities are not endless. There are a number of limitations in the use of strategic management that shows that this method of management and, like others, is not universal for any situations and problems [5].

Firstly, strategic management can not provide a precise and detailed picture of the future. Method of describing in detail the future of an organization is not a detailed description of its internal state and the situation in the external environment, but rather a mixture of qualitative wishes towards the state in which the organization wants to be in the future, what position to take in the market and in the business, what organizational culture to have.

Secondly, strategic management can not be limited to a set of routine rules, procedures and schedules. It has got a theory that describes how and what to do to solve problems or situations. Strategic management is more a philosophy or ideology of business and management. And every manager understands it and largely makes it in their own way. Of course there is a set of recommendations, rules and flowcharts to analyze problems and to choose and implement the strategy. But overall strategic management practice is:

- A symbiosis of intuition and the art of senior management to lead the organization to strategic goals,
- High professionalism and creativity of employees, which connects the organization with the environment, renews the organization and its products, achieves current plans,
- Active involvement of employees in achieving organizational goals, in order to find the best ways to achieve them.

Thirdly, it takes hard work and spend of time and resources for an organization to implement strategic management process.

Fourthly, sharply increase the negative consequences of mistakes in strategic planning. Given that in the short term tare created new products, investment directions radically change, when suddenly there are new business opportunities and visibly disappear possibilities that existed during several years.

Fifthly, the achievement of the strategic management often focuses on strategic planning. But this is not enough because the existence of a plan does not ensure its success. In fact the most important component of strategic planning is to meet the plan. And this means we are creating an organizational culture that would enable the strategy to create motivation system and organization of labor, some flexibility in the organization. Such an organization can not move to strategic management even if it has a very good strategic planning subsystem, but there are no means for strategy realization [8].

Sixthly, adverse effects may occur if people who formulate the strategy are not involved in its implementation, being difficult to assign individual tasks to other persons not involved in the process. As such, managers should be aware of promises on company performance that could result from the strategy, while the disturbing environmental factors are still important and can influence the whole process [3].

Making managers aware of the possible negative consequences and preparing them with effective means of minimizing these effects will result in a considerable increase of the strategic planning potential.

4. GUIDELINES FOR THE EFFECTIVE STRATEGIC MANAGEMET

Failing to follow certain guidelines in conducting strategic management can foster criticism of the process and create problems for the organization. Issues such as: "Is the strategic management in our firm a people process or a paper process?" should be addressed.

Even the most technically perfect strategic plan will serve little purpose if it is not implemented. Many organizations tend to spend an inordinate amount of time, money, and effort on developing the strategic plan, treating means and circumstances under which it will be implemented afterthoughts! Change comes through the implementation and evaluation, not through the plan. A technically imperfect plan which is implemented well will achieve more than the perfect plan that never gets off the paper on which it is typed.

Strategic management must not become a self-perpetuating bureaucratic mechanism. Rather it must be a self-reflective learning process that familiarizes managers and employees in the organization with key strategic issues and feasible alternatives for resolving those issues. Strategic management must not become ritualistic, stilted, orchestrated, or too formal, predictable and rigid. Words supported by numbers, rather than numbers supported by words, it should represent the medium for explaining strategic issues and organizational responses. A key role of the strategists is to facilitate continuous organizational learning and change.

R. T. Leny offered some important guidelines for effective strategic management: "Keep the strategic management process as simple and nonroutine as possible. Eliminate jargon and arcane planning language. Remember, strategic management is a process for fostering learning and action, not merely a formal system for control. To avoid routinized behavior, vary

assignments, team membership, meeting formats and the planning calendar. The process should not be totally predictable and the settings must be changed to stimulate creativity. Emphasize word-oriented plans with numbers as back-up material. If managers cannot express their strategy in a paragraph, they either do not have one or do not understand it. Stimulate thinking that challenge the assumptions underlying current corporate strategy. Welcome bad news. If the strategy does not work, managers desperately need to know it. Further, no pertinent information should be classified as inappropriate because at least it can not be quantified. Build a corporate culture in which the role of strategic management and its essential purposes are understood. Do not allow technicians to co-opt the process. It is ultimately a process for learning and action. Attend to psychological, social and political dimensions, as the informational infrastructure and administrative procedures which support it."

An important guideline for effective strategic management is open-mindedness. A willingness and eagerness to consider new information, new perspectives, new ideas and new opportunities is essential; all organizational members must share a spirit of inquiry and learning. Strategists such as chief executives, presidents, owners and heads of government agencies must commit themselves to listen to and understand managers' positions well enough to be able to reaffirm those positions to managers' satisfaction. In addition, managers and employees throughout the firm should be able to describe the strategists' positions to the satisfaction of the strategists. This level of discipline will promote understanding and learning.

No organization has unlimited resources. No firm can take on unlimited amount of debt or issue or unlimited amount of stock to raise capital. Thus, no organization can not pursue all the strategies that potentially could benefit the firm. Strategic decisions thus always have to be made to eliminate some courses of action and to allocate organizational resources among othersy. Most organizations can afford to pursue only a few corporate level strategies at any given time. It is a critical mistake for manger to pursue too many strategies simultaneously, thereby spreading the firm's resources so thin that all strategies are jeopardized. Joseph Charyk, CEO of Communication Satellite Corporation (Comsa) said: "We have to face the cold fact that Comsa may not be able to do all it wants. We must make hard choices on which ventures to keep and which to abandon."

Strategic decisions require trade-offs such as long-range versus short-range considerations or maximizing profits versus increasing shareholders' wealth. There are ethics issues too. Strategy trade-offs require subjective judgments and preferences. In many cases, a lack of objectivity in formulating strategy results in a loss of competitive posture and profitability. Most organizations today recognize that strategic management concepts and techniques can enhance the effectiveness of decisions. Subjective factors such as attitudes toward risks, concern for social responsibilities, and organizational culture will always affect strategy-formulation decisions, but organizations need to be as objective as possible in considering qualitative factors [1].

5. CONCLUSIONS

Every organization has a strategy, even if it is informal, unstructured and sporadic. All organizations are going somewhere, but unfortunately some organizations do not know where they go. The old adage says "If you do not know where you are going then any road will take you there!" emphasizes

the need for organizations to use strategic management concepts and techniques. Strategic management process is increasingly used by small businesses, large corporations, non-profit institutions, government organizations, multinational corporations. The empowerment of managers and employees has virtually unlimited benefits.

Organizations should take rather a proactive attitude than reactive in their industry, they should rather fight to influence, to anticipate and initiate than just respond to events. Strategic management includes this process by making decisions. This is a logical, systematic and objective approach, to determine its future direction. The stakes are usually too high for strategists to use only intuition to choose between alternative action developments. Successful strategies take their time to think their business, where are their business and they want to be as an organization, then they try to implement programs and policies to get where they are where they are in a period reasonable time.

It is well known that people and organizations which plan in time are more likely to become what they want than those which do not plan

Any organization should implement strategic management in order to achieve as efficient as possible its objectives, to ensure its survival in the actual dynamic and in continuous change environment. Thus it contributes at ensuring a balance between economic growth and the environment protection, and, on this basis, at satisfying not only present needs, but also future ones

of the social development. Otherwise said- to participate at the realization of the sustainable development of the economy and the society.

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