

STRATEGY- BASIC VECTOR IN THE EVOLUTION OF MODERN ENTERPRISES

Camelia BĂEȘU

Stefan cel Mare University of Suceava, Romania
cameliab@seap.usv.ro

Abstract

At micro-economic level, the business evolution of a firm is influenced by the type of strategy which is put into practice by the decision maker as well as by the economic conjuncture existing at macro-economic level which may be more or less favorable. Therefore, in the strategic endeavor it is required for each phase of the lifecycle of modern enterprise to be given special attention. Thus, managers in highly performing organizations must be able of creating and implementing complex strategies with a lot of professionalism.

Key words: strategy, managers, performance, business development, innovation

JEL classification: M10, M12

I. INTRODUCTION

At present, under the conditions of economic dynamics, modern enterprises must assert themselves by a creative, innovative management which allows them possibilities of further development in terms of efficiency and profitableness. Leadership based on strategic management and on implementation of correct economic strategies provides managers with the opportunity of making high performances in a competitive environment in a continuous change. (Bărbulescu, 1999) There is a set of successful criteria which is the basis of a correctly formulated strategy: (Tanțău, 2011):

- clearness of objectives aimed at; all human resources involved in the strategic endeavor must be able of identifying easily the objectives to be reached and of getting involved in their achievement;
- correct analysis of competitive environment;
- managerial responsibility and efficient implementation; it is required for the manager to have competences in the implementation of the strategies chosen under conditions of maximum performance and by rational use of the resources the organization has;
- flexibility which implies rapid reactions and capacity of adaptation to the changes of the environment.

The paper aims at a short analysis of the strategies the modern enterprises may have in view in their development within economic, social, politic and dynamic environment. In the process of implementing strategies, at present it is required for managers to have in view that enterprises go through different stages in their market evolution, fact which demands from decision makers taking into consideration all (internal and external) factors that may influence the future performances of the company.

II. TYPES OF STRATEGIES APPLIED IN MODERN ENTERPRISES

At present, the society is facing with a “wave of changes” which led to the redefining of place and role of a company in the modern economy. In this new competitive environment, managers have the task of “identifying the old structures and change them before they have become deleterious”. (Tofler, 1996). In this context, under the conditions in which a company is faced with certain difficulties, an important role is held by decision makers who by management styles practiced must manage the firm towards the performances wanted. In the literature many experts have analyzed and defined the concept of strategy and its importance in the activity of modern organizations:

- long term assessment of aims and objectives of an enterprise, adoption of actions and assignment of the resources required by the achievement of objectives; (Chandler, 1989)
- common axis of activities of organizations and products / markets which defines the essential nature of economic activity carried on by an organization or forecasts to do in future; (Ansoff, 1989);
- identification of basic elements to get the competitive advantage pursued by the firm (Porter, 1990);

1. Growth strategies

Strategy of internal growth is specific to enterprises at the beginning of their development stage and implies an increase in the volume of assets by internal investments. Of the advantages of this strategy we mention: intact keeping of the organization’s culture and sovereignty; optimum endowment, optimum ratio quality/price; employment of labor force upon requirement; the risk associated to some mistakes hardly to be identified is low.(Tanțău, 2011)

Strategy of external growth has the following forms: strategies of collaboration, acquisition and fusion. *Strategies of collaboration* consist of the activity shared by more firms to achieve common objectives. Managers have in view these strategies, mainly because of the following aspects: acquirement of competitive advantage and increase in the value offered to consumers. (Borza, 2008). These strategies are materialized by: strategic alliances, mixed companies, strategic partnerships and networks.

Acquisition is a strategy by which a small or big enterprise buys another enterprise to enlarge its business portfolio. *Fusion* is the strategy by which two enterprises of the same dimension get united to create a new firm with stronger skills and resources. The reasons for which firms want to fuse are diverse: achievement of scale economies, consolidation of market position, decrease in research-development costs, increase in diversification degree; opportunity of new skill acquisition and development (David, 2008).

Strategies of diversification

They are based on the approach of new activity domains in which the firms has not been present previously. By this strategy the firms gets the possibility of investing in a new sector and opportunities of higher gains. This strategy consists of the following forms: (Ciobanu, 1994)

- vertical diversification involves reduction of production cost, provides the firm with whole security by controlling its suppliers and clients;
- horizontal diversification is based on knowledge of market and economic sector which the firm wants to exploit in view of gaining maximum profit;
- conglomerate diversification is adopted when the enterprise has in view totally different activities from those usually carried on, thus getting opportunities of profit enhancement .

3. Defensive strategies (survival) include: strategies of steadiness, strategies of pinching and strategies of activity close-out. *Strategies of neutrality (steadiness)* are characterized by the following aspects: steady environment; enterprises satisfied with their present performances and which want to continue their past strategic direction; enterprises which are not being faced with growth perspectives and major changes (Tanțău, 2011)

Strategies of consolidation offer enterprises the possibility of keeping their existing economic performances for a certain period of time. (Bărbulescu, 1999). This strategy must be correlated with the phases of life cycle of modern firms: growth, maturity, and decline. For example, on a growing market, enterprises aim at keeping their market share by development in direct ratio with the growth rhythm of market. In the case of mature markets it is difficult for enterprises to keep their market share, and the keeping of the position held on the market is done by actions of increasing products' and services' quality, marketing strategies. If the market gets in a decline phase, enterprises are based on the collection of the gains obtained from license awarding for their own technologies or by renting their equipment and spaces. (Tanțău, 2011)

Strategy of pinching is being applied on short term under conditions of economic crisis when organizations want to reduce their expenses and improve coordinating, communication and control activities (Tanțău, 2011). The strategic alternatives of this strategy are materialized in the strategy of rectification and the strategy of dissolution.

Strategy of dissolution in practice consists of two forms: strategy of partial dissolution and strategy of total dissolution. *The strategy of partial dissolution* involves the selling of a certain product, of a set of products or strategic business unit. *The strategy of total dissolution* aims at the selling of the enterprise's assets in order to dissolve it. Basically dissolution may take place either forcedly or upon the owners' request. Dissolution upon owners' request is done when the enterprise has no profitable activity, and its owners want to get pecuniary funds to reinvest them more profitably. Forced dissolution occurs when the enterprise has such high debts that it cannot cover only by selling its assets (Tanțău, 2011).

III. IMPLEMENTATION OF ECONOMIC STRATEGIES AS AGAINST THE DEVELOPMENT PHASES OF MODERN FIRMS

The elaboration and implementation of an economic strategy is a complex process, which implies deep knowledge of external and internal factors that may influence decisively the firm's activity in the economic, social and political environment. On the whole, in the process of strategy elaboration, decision makers must have in view the following stages: the analysis of the current situation; study on future perspectives; elaboration of strategic alternatives for the firm's future activity; implementation of the strategy identified into firm's practical activity. (Bărbulescu, 1999)

In the stage of analyzing the firm's current situation, starting from the identification of the firm's mission, the strategy specific to present and past activity of the firm is being shaped, by making an analysis of the performances registered in the firm's evolution. The examining stage of future perspectives defines the firms' long-term objectives, by analyzing the firm's external (social, political and economical tendencies) and internal environment (the firm's strengths and weaknesses, informational system, the way in which the tasks are assigned and fulfilled at different organizing levels). Then, some strategic alternatives are elaborated in order to identify the strategies suitable to the firm's strategic mission and objectives. In the stage of implementing the strategy identified into the firm's practical activity, special attention is given to the adoption of functionally corresponding strategies which allow the achievement of the objectives under optimum conditions. In this sense,

organizational structures and management process are rendered highly performing on the whole; otherwise the implementation of optimum strategies into practical activity would not be possible. (Bărbulescu, 1999). After bringing these stages to end, another important activity follows, activity based on the assessment of strategies implemented and control with the aim of identifying the operational factors that may hinder the proper application of these strategies adopted.

The business development of a firm in a competitive environment may differ from one period to another. Thus, an enterprise, during its evolution on the market may go across both the bloom phase, due to some high economic performances and market advantages, proving it with a degree of maximum profitableness, and decline phase determined mainly by some less profitable economic activities which may lead to the enterprise's dissolution. Six life cycle phases of a firm are mentioned in the literature: the firm's launching phase on the market; the firm's development phase; firm's growth and expansion phase; stagnation or decline phase; comfort phase and change phase of juridical form. (Nicolescu, 1996).

To solve the problems specific to each stage of firm's life cycle, in practice, the decision maker can apply different strategies. Therefore, in the bloom phase, enterprises can adopt diverse strategies which by their objectives (product selling at low cost, domination on the market) allow them consolidating their position on the market and getting competitive advantage. A firm in the stagnation or decline phase may have in view prudent strategies which provide it with the protection of the market segment where it carries on its activity.

IV. CONCLUSIONS

At microeconomic level the cyclical business evolution of a firm on the market may be influenced by the type of strategy adopted in the practical activity by the decision maker, as well as by the economic conjuncture existing at macroeconomic level which may be favorable or not for the firm in question. Therefore, decision makers must take into consideration also the cyclical phases defining the overall evolution of economy when elaborating strategies.

A crisis is defined as being a serious perturbation of ascending evolution of an economy which generates a temporary but often violent rupture of the equilibrium between production and consumption. Crisis is resented by enterprises through a sudden decrease in prices, massive dismissals of labor force, exchange stock crashes and even bankruptcy. Under these conditions, the firm may have in view pinching strategies or if necessary dissolution ones.

Depression is the phases succeeding the crisis and is characterized by stagnation of the economic activity, diminution of production, price reduction, and unemployment increase. Therefore, a series of weaker enterprises reduce or slow down their activity. The enterprises which have succeeded in overcoming the periods of crisis and those of depression adopt strategies of cost reduction.

Restarting and reanimation of economic activity is the phase in which enterprises try to improve and generate new capacities of production in order to increase labor force, reduce unemployment. It is the stage which turns gradually into economic expansion, whose duration may differ depending on the conditions from each country. In this context, firms may have in view strategies of diversification of products, strategies of activity-consolidation and strategies of internal growth.

Expansion (bloom) is characterized by an increase in sales and prices, an overall growth of incomes. Businesses are prosperous, a strong investing process is taking place in the economy, and enterprises enhance rapidly their sale volume. Therefore, firms can opt for strategies of growth, strategies of diversification and strategies of steadiness.

V. REFERENCES

1. Ansoff, I (1989) – Strategie de dezvoltare de l'entreprise, Les Editions d'Organisation, Paris,
2. Bărbulescu, C (1999) – Strategic systems of enterprises , Ed. Economic Publishing House, Bucharest,
3. Borza, A (2008) – Strategic Management: concepts and case studies , Risoprint Publishing House, Cluj-Napoca
4. Chandler, A. (1989) – Strategy and Structure, Routledge, New Jersey,
5. Ciobanu, I. (1994)- Strategies of management, "Al.I.Cuza" University Publishing House, Iasi
6. David, F. (2008)- Strategic Management. Concepts and cases, 1st Edition, New Jersey: Pearson/Prentice Hall
7. Nicolescu, O (1996)- Firm Managerial Strategies, Economic Publishing House, Bucharest
8. Porter, M (1990) – Competitive Advantage of Nations, Mac Millan Press, Ltd
9. Tofler, A (1996)- Adaptable Corporation, Antet Publishing House, translated from English
10. Tanțau, Adrian D. (2011) – Strategic Management: from theory to practice, C.H. Beck Publishing House