PROCESS OF STRATEGIC MANAGEMENT IN THE COMPANY

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Abstract: Strategic management is regarded as a process within which managers, having in mind all available circumstances in the environment and the company itself, formulate and carry on strategies to reach optimal strategic aims. The process of strategic management comprises several main components as illustrated on Fig. 1

Keywords: management, marketing, strategy.

1. Definition of Organization Mission

The process of strategic management starts with organization mission identification (purpose of fundamental reason to have organization). Organization Mission statement on intentions, on what is wanted to be reached in wider surrounding. It is supposed to answer to questions like: What is our job? Why are we dealing with such a job? What kind of organization are we? What is a value for buyers? Where are we special? What is our job supposed to be? Clear mission of the statement looks like an `invisible arm` leading people within organization to work independently and yet jointly to reach the goals of operation (1. page 51).

In formulating organization mission statement management should not make its mission a narrow one or over broad one. Mission is to be realistic, feasible and specific, grounded on the specific potentials and motivating (employees must feel that their job is important and it contribute better life of people).

Mission statement is to give vision and guidelines for the next ten to twenty years. Modern organizations direct their mission statements towards the market, aimed consumers and solving specific problems and to products (`our job is cars`) or technologies (1we are an organization for chemical treatment`).

The purpose (mission) of an organization is a declaration on the type of a buyer to be served, his specific needs and means or technologies to be used. There are `three specific Cs`: customers, competition and company. They are interrelated into `strategic triangle` making specific character of the organization (2. page 87-93)

Levitt points out that definition of assignments (mission) toward the market in more superior than definition toward production or technology. Assignment is to be regarded as a process to satisfy the customer, and not a process of producing the goods. Products and technologies pass by while basic market demand may last forever (3. page 45-56).

In time, organization mission may become vague. The environment of organization work changes. Also, organization expands to new products, markets, even new activities. In such a situation, management must seek for purpose.

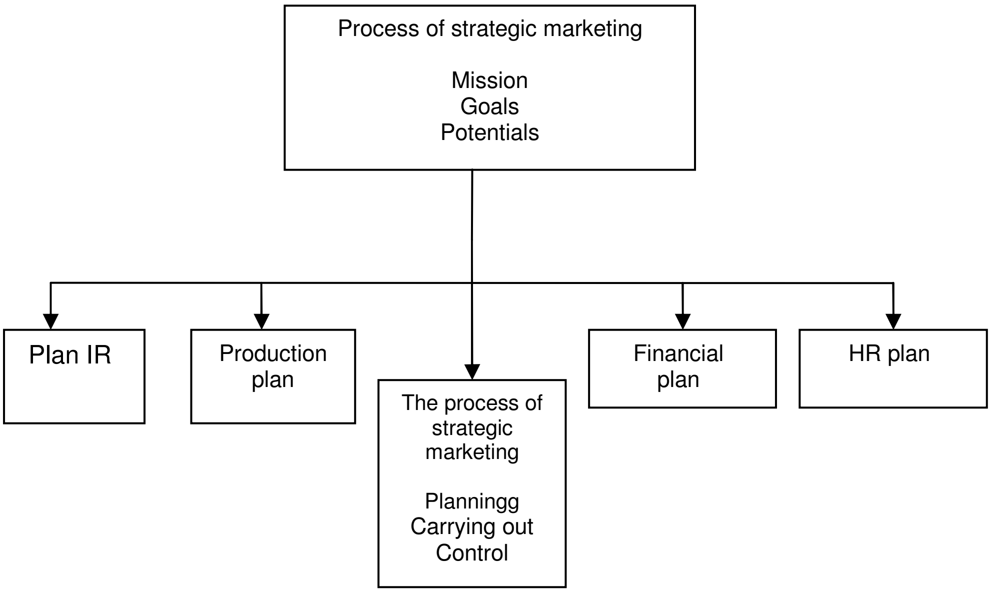

Fig. 1. Phases in the process of strategic management and strategic marketing (4. page 34)

1.1. Definition of Strategic Goals

Mission is to be converted into strategic aims directing the organization management. Mission maintains the organization philosophy, the direction it moves on while strategic aims represent the targets, measurable end results. Organization goals are represented on the basis of comprehensive analysis of chances and risk of the environment wherein the activity is performed as well as weak points of the organization striving to use maximum of available forces and chances and to avoid risk and weak points, or to minimize them at least.

Strategic revision (outer and inner) is collecting important information to elaborate goals and strategies. Outer revision explores macro surroundings and working ambient of organizations, while the inner revision researches all aspects of organization; it covers the whole `chain of values` (basic activities to follow the flow of goods and services through organization and auxiliary activities on which the basic one lean against) (1 page 54-55).

On the basis of strategic revision, SWOT analysis shows opportunities and threats from the surrounding and the strengths and weaknesses of the organization. It is up to managers to see in time the threats and the opportunities for the organization, and in accordance to their potentials to react. Literature mentions several goals to be followed by an organization:

- Profit- to make maximum long term profit through as higher as possible yield to invested resources;
- Income from sales- to increase sales level;
- Market share – to keep current and increase market share;
- Sales in units- due to inflation impact the sales income may give wrong picture;
- Survival on the market;
- Social responsibility- to find the right measure between conflict customers` goals, organization and society.

There is hierarchy of goals and they are usually organized in three levels: strategic (broad definition made by the top management), tactical (usually set by middle management for specific sectors or units), and operative one (set by lower management for specific results to be achieved by the lowest level).
Management initiates planning to make priority and goal time schedule. As a company often may have more goals, management is to settle dispute between goals and to enable measure of goals and estimate the results.
The goals should be: (5 page 164-165)

- Challenging (stimulating, motivating)

- Achievable (to be achieved with maximum knowledge, skill and engagement of the employees)
- Specific and measurable (it is clear what is expected and when a goal is achieved)
- Time limited (defined time period to achieve a goal)
- Relevant

After setting an organization goal, the next step is to make decision on business and product portfolio and allocation of available resources for each business and product.

1.2. Business Portfolio

Business portfolio is an assembly of businesses and products making a company. To make growth and development of an enterprise, the organization must match in the best way all opportunities offered by environment with its strength and weakness and make an optimal business portfolio. Starting from the present situation (current portfolio), the management decides what and how many current products are to be kept, then what new business and products to develop and how to allocate available resources for each business and product. The strategic planning purpose is to find the way for organization to use its potentials in the best way to find and use opportunities from environment. For that, it is necessary to state what are the key businesses making and organization (SBU- Strategic Business Units). Using some of the usual methods of the portfolio analysis it estimates strategic business units from two important aspects:

- attractiveness of the market or activity of SBU
- strength of the SBU position on the market or activity

Although today organizations use their methods, the most famous method to plan portfolio are methods of General Electric Group (GE) and Boston Consulting Group (BCG). For a comprehensive portfolio planning General Electric uses the network for business planning (Fig. 3.2). That is the matrix with two dimensions: attractiveness of activity (ordinate) and company strength (axis). The best business for a company is the one in very attractive activities where the company has strong (great) business strength.

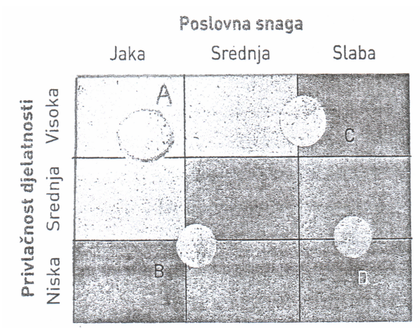

Fig. 2. Strategic Planning Network G (1 page.62)

GE finds that market attractiveness is influenced by: market size, market growth rate, competition, and profit in this activity field, cycle and season demand, and structure of activity expenses. Each mentioned factor is estimated and combined into an index of market attractiveness. In the case illustrated on the Figure, market attractiveness is estimated as a low one, medium or high. Index of business strength is defined on the basis of the company market share, competitiveness of prices, product quality, knowing the market and the customers, results of sales and geographic advantages. In the illustrated case, the index of business strength is estimated as high, medium and low. In illustrated example the strategic planning network has three zones (three quadrants each). Diagonal squares have SBU average for total attractiveness and the company is to keep investment at the present level. Three squares in top left corner of the matrix represent strong SBU to be additionally invested in, and in SBU in bottom right corner (three quadrants) have low attractiveness and the company is to think what to do with them further on.

Circles illustrate four SBU. The circle area corresponds to real activity scope of the company and part of the circle is market share of each SBU. Circle A is SBU with 75% of the market share in the large and attractive

activity where the company has great business strength. Circle B is SBU with 50% of market share, large business strength but low attractiveness of the activity. Circles C and D are SBU of small market share and poor business strength. Activity attractiveness of SBU C is high, and D is poor. The company should invest in A, maintains B, and think well what to do with C and D SBU.
Approach of Boston Consulting Group (BSG) is based on growth matrix and share of all SBUs (Fig. 3). The measure of market attractiveness is expressed in market growth strength and is illustrated on ordinate. Strength measure of a company at the market is expressed in relative market share and is illustrated on axis.

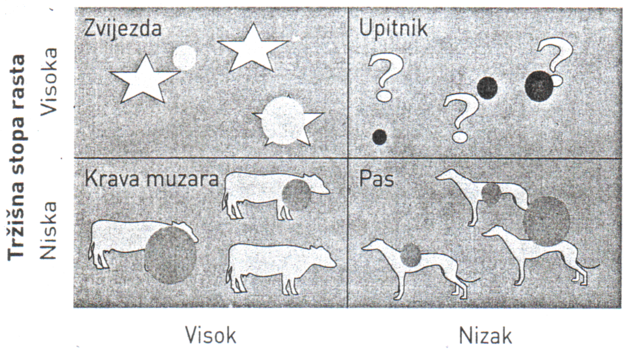

Fig.3 Growth Matrix and Share of BCG (1 page 61)

Illustrated Growth matrix and Share there are three types of SBU:
* `Zvezda`- business or products with high growth and share at the market. These SBU needs large investment for faster growth.
* `Krave muzare` - business and products with low growth and great market share. These SBU provide money for the company and assist SBU to be invested in.
* `Upitnici`-business with low market share and high growth. Management is to decide what to invest and to convert them to Zvezde and what to quit.
* `Psi` - business and products with low growth and market share.

All SBU, mostly, may maintain them but they do not contribute significantly to company income. In the specific case, through four types of SBU (two `Zvezde`, two `Krave muzare`, three `Upitnika` and three `Psi`) the circles show ten SBU wherein the circle area corresponds to sales value. Using some of well known or own methods, the company decides on portfolio and allocate of available resources to support each business and product. New business and products are planned or some old business or products are eliminated. Detailed marketing plan is to be elaborated for each business unit and its products, as well as other functional plans to support the plan at the organization level.

2. CONCLUSION

All organizations, regardless the activity, should have strategies oriented to optimal accomplishment of strategic goals having in mind available circumstances in the environment (chances and threats) that change constantly in the very company (strength and weakness). Fast change rhythm means that market success is on the company capability to change. However, Greek philosopher Heracles said: `You cannot step into the same river twice`. There is no universal strategy to be successful for all organizations. Each organization must find its way based on circumstances, available resources and set goals.

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