

STRATEGIC MANAGEMENT IN A CRISIS CONTEXT

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ABSTRACT

The current crisis, more than any other disturbing factor, provoked a rough breach in the management's daily routine, involving major transformations, especially in the enterprises' strategic management. The complex reality in which a modern company activates, its position, role and responsibilities, makes its strategic management an extremely complex one, a tridimensional process, its three dimensions being: rational and analytic (economic dimension); political (human dimension); bureaucratic (organizational dimension). The strategic management implies taking into consideration simultaneously the three dimensions, each dimension having its role and importance according to the respective context.

Omitting a dimension or favouring one of them against another without taking into consideration the context may lead to inadequate, incomplete and sometimes even destructive strategic and organizational behaviours.

KEYWORDS: *economic-financial crisis, strategic management, tridimensional approach, strategic behaviours, leadership*

JEL CLASSIFICATION: *L21, M21, O12*

1. INTRODUCTION

Always comparing our economy, in the last twenty years, with the Western economies, which we tried to copy and imitate, it seems natural to adopt some concepts that sound splendid when they're uttered in a loud voice, but they are bare, without content, in the context of our practical economic reality. In the last two decades, the concepts of strategy and strategic management suffered in the same manner.

Everybody, at all levels, was talking about strategies and everybody suggested strategies to adopt! And, "we had" strategies, in all domains and for the most insignificant matters: strategies regarding the restructuration of the former socialist enterprises, strategies of improving the old technologies, then privatization strategies, strategies to switch over to market economy, strategies of reforming the sanitary system, of the teaching system, of public administration, etc, strategy of closing factory X, strategy of selling company Y on a dollar, strategy of saving the economy, surpassing the current crisis (even if some of them are formulated in ten points)... "strategies" which can't be understood and which suffered a continuous transformation each day.

More than that, the fact that this term entered in the ordinary language, being used on a daily basis (the strategy of copying at an exam, a football game strategy,...) led to its being perceived as a common place, a banality, to the minimization of the process of a strategy's elaboration and operationalizing and, in the same time, it led to a lot of confusion regarding the true meaning of a strategy and a strategic management. And, considering that many think of strategy as a big secret, which must be kept in the company's safe and at which just the people from the top must have access, with the fear that some competitors might take advantage of these items of information, the veil of mystery that surrounds this concept is getting thicker and thicker. However, the attitude the

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people should display must be exactly the opposite, a good communication both inside and outside the company being necessary (Porter, 2008).

10 years ago, the Romanian manager of a big multinational company told me that over 20 country managers, participating at a reunion whose purpose was to formulate the strategy for the company's sales department, after two weeks of discussions, debates, brainstorming sessions, etc, weren't capable to even finalize once for all the mission's enunciation and to establish the strategic objectives.

Conclusion: it isn't easy to lay out a strategy, it can't be just lay out over night, as it unfortunately happens in our country (especially if we think at the macroeconomic level) and it's even harder to implement it.

2. THE CRISIS' IMPACT OVER THE STRATEGIC MANAGEMENT

This crisis, more than any other disturbing factor, provoked a rough breach in the management's daily routine, involving major transformations in the management process, with deep implications in all management's functions. The crisis in management can be explained appealing to the classic metaphor of "getting blood out of a stone". On one hand, in a crisis context, an efficient management it's needed, more and more, and from the other part, there remain less and less appetite, competencies and will to exert it. (Deac, 2010).

Regarding to the enterprise strategic management, the first aspect of the relationship crisis-strategic management is the one regarding the necessity of a coherent strategic approach capable to ensure the necessary performance for facing the competitive competition.

While the concept of "strategy" has a longer history, a long time being dedicated to the military art and entering in the manager's regular vocabulary not sooner than in the last six decades, the concept of "strategic management" was established at the first "International Conference of Strategic Management", organized by I. Ansoff in 1973 at Vanderbilt University (USA). Regarding this concept's content there were and still are various controversies, some authors regarding it as an extension of "strategic planning" concept, or even its equivalent. But the majority if specialists believe that strategic management represents a superior type of leadership, appeared as a response to the new changes (Russu, 1999).

In the '70s the economic companies confronted with a series of new problems and an aggravation of the old ones, the strategic planning methods proving to be inadequate to treat them right, which provoked a crisis of trust in strategic planning.

The market globalization, which stimulated the development of international exchanges and of foreign investment, but which in the same time increased the risk associated to an operation (taking as an excuse the global order instability), the appearance of multinational concerns, the extremely rapid technological development and the disappearance of the borders between the technologies, the increase in influence of the other players (syndicates, international organisms, state, public associations, etc.), to which adding the effects of the 1973 oil crisis, there are just some of the aspects that really put in a bad light the credibility of the long term previsions.

In the circumstances in which "the future is not what it was anymore", and in which the strategic planning systems were grounded mainly exactly on the projection into the future of the evolution which was previously statistically determined, the crisis of trust regarding the planning was only natural, the main criticism being related to (Nedelea, coord., 2009):

- favouring the option of development through expanding the existent activities to the detriment of the new activities (which was grounded in the logic of I. Ansoff model, which was the dominant way of thinking in that period of time).
- limiting the study of the company's environment to a single aspect, the economic one, in the circumstances in which this wasn't the only aspect;
- taking as granted the hypothesis of relative stability, an aspect unsupported by the economic reality;

- materializing it through an administrative process, which unfolded constantly and monotonously, being inadequate for the new problem's pinpointing and rapid solving;
- decreasing the creativity and the openness to novelties of the management agency;
- constitutes an impediment to the attempt of using the modern methods of strategic analysis.

As a consequence, the concept of strategic planning is subverted in the end of the '70s, due to the convergent voice of the critics that had never believed in it, perplexing those who practiced it and the suggestions of the great consultancy services units, which proclaimed that "it suffices to make a good decision in a certain moment in time". The idea is that the strategic planning isn't anymore the obligatory frame of free and profound reflections.

Strategic management, as a matter of fact in full development, appears as an alternative to strategic planning. It tends to unfold outside the planning process, most of times reduced to the operational dimension, meaning to a role of relay between the strategic options, in upstream, and their materializing in concrete actions, in downstream.

The first management dictionary published in our country defines the strategic management as "a management category based on strategy, through which the managers try to ensure the company's evolution and efficacy on long term, the focus being on the rigorous formulation of the strategy, on its systematic and efficacious implementation and on the continuous estimation of the evolutions."

In the specialty literature there are presented various definitions and approaches to strategic management, but there is reached a certain consensus regarding to various points of view expressed by the authors, which came to the conclusion that the strategic management represents an organization's anticipatory management, based on an anticipation of the external environment's evolution, on the assessment of the company's internal potential correlated with the requirements of its environment and adopting those strategic options of taking action which lead to the achievement of the company's strategic objectives and its mission.

The act of exerting the strategic management inside an organization determines fundamental transformations in its overall behaviour and in its operating mechanisms, having positive effects over its competitiveness and performance, the most significant advantages being the following: (Popa, 2004)

- it ensures an unity of perception and action at all the company's hierarchic levels. The company's strategy is the essential reference point according to which there are defined all the other elements which make possible the good functioning of the company: partial strategies, politics, planning, programmes, etc. Even if the compartments inside an organization have a high degree of functional autonomy, the company's overall strategy is the common denominator to which the management and their functioning always relate;
- it ensures the compatibility of the strategic decisions with the tactical and current ones and a better coordination of all the company's operational and functional compartments;
- contributes to the clarification and the understanding of the company's mission and purpose and, as a consequence, at the increasing at the involvement level of the entire staff for their accomplishment and for the fulfilment of the company's strategy and, implicitly, at the creation and development of an organizational culture, which plays a major role in ensuring a long-term, substantial evolution.
- the strategic management constitutes the type of management which is best adapted for anticipating the future problems the company might have to deal with, the opportunities and the menaces with which it will be confronted, considering that we're assisting to an acceleration of the rhythm of transformations.

In the current moment in which we're confronting to a crisis, the question that arises from the lips of the specialists is: "do we have to advance a strategy or, maybe, it would be better for the enterprise management to concentrate on valorising the opportunities that came in this context?" It's hard to phrase an answer to this question! Out of the discussions held in all these years of crisis with various specialists in this domain, but also with company managers, it resulted that there's more than an answer to this question, and, while the theoreticians in management tend to converge

to a categorically positive answer, the practitioners are much more evasive in giving an answer. Crisis, in our country, affected not only the small companies, but also the large, multinational companies many of them ceasing their activity (a typical example being Nokia). I remember the words of the general manager, which activated more than 10 years at a great multinational company (which, three years ago, when the company launched its products in Romania chose to launch its own business): "when I made my choice, I grounded it on some business projects, which I rigorously pondered and analysed, being sure that these will allow me to keep up after my retirement (according to my own calculations, at least 8 years). After three years, I realized that almost 70% from my portfolio was represented by unforeseen businesses, valorised according to some new opportunities that appeared on the market."

This aspect made me think about I. Ansoff's opinion (one of the founders of the scientific approach to the enterprise strategy), which after 25 years of studies and researches, stated: "Strategy remains an elusive and somehow abstract concept. It's obvious that its simple laying down remains without a concrete and immediate effect over the company's functioning. This is rather a time and money consuming process. Management is a pragmatic activity, which aims at concrete results; the question that arises is that such an abstract concept as the strategy can usefully contribute to company's performance improvement. (Ansoff,1989).

3. THE STRATEGIC MANAGEMENT'S DIMENSIONS IN A CRISIS CONTEXT

The complex reality, in which a modern company activates, its place, role and responsibilities, makes the process of formulating and implementing of its strategy, in other words the strategic management, an extremely complex one in general; according to some authors, a tridimensional process, its three dimensions being:

- rational and analytic (economic dimension);
- politic (human dimension)
- bureaucratic (organizational dimension).

The three dimensions are essentially focused on finding pertinent answers to various questions, which involves the completion of several stages, systematically presented in Table no. 1. (Thietart, 2009).

The term "politic" is used, in this approach, in a slightly different sense than the regular one. The politic dimension cover everything related to the influence and the pressure exerted by various groups or individuals from the company or outside the company (syndicates, employee, informal groups, political organizations, ecologist, non-profit organizations, non-governmental organizations, state institutions, etc), which are generically called "players", in their attempt of exerting their power over the various strategic options of the company.

The three processes are complementary, the economic dimensions comes to back up the "political dimension", and these two are integrated and guided by the "organizational dimension", each process' role and importance varying from a period to another. Besides, the strategic management involves taking into consideration in the same time all the three dimensions, the role and importance appropriate for each dimension, according to the respective context. Let's remember the case of the former socialist enterprises, which in the '90 had to and maybe they even wanted to do something else, but they kept reticent when there was the question to make the necessary organizational changes. You just can't launch something different from everything you've done until that moment keeping the same management system! And, in a crisis context, there are more than a few situations in which the aspects regarding the role of various players, especially syndicates and political organizations, become more important; underestimating their power can endanger the adopted strategy's implementation and, as a consequence, a greater importance must be granted to the "political dimension".

Table 1. The strategic management's dimensions

Rational and analytic process (economic dimension)	Politic process (human dimension)	Bureaucratic process (the organizational dimension)
1. What does the company want? - formulating the mission - establishing the objectives - choosing the activities portfolio	1. Which are the players for now? - identifying the players - dynamic analysis of the relationship between the company and the players - searching a politic ground and estimating the opposition	1. Which form of organizing? - establishing the decentralization degree - determining the operational unities size - establishing the coordination means - elaborating the informational system
2. What's its position? - environment analysis - resources estimation - determining the planning errors	2. What can the actors do? - internal and external influences analysis - political system and players' assessment - player's reaction anticipation	2. What decision-making process? - choosing the types of plans - determining the stages in the plans' elaboration - explaining the plans' content - choosing the planning horizon - laying up the decision process
3. What would the company want to achieve? - laying out the strategy and policies - strategies and politics assessment	3. What can be done either with or against the actors? - searching for the strategic independence - selecting the alliances and the coalitions	3. What training methods? - determining the level of involvement into the decisional process - elaborating the estimation and reward system
4. What will the company do? - choosing the strategy - deciding the programmes, course of action and budget	4. What decides the company to do? - formulating the political strategy - anticipating the reactions of those who oppose the decided course of action	4. What control method? - establishing the degree of control concentration - determining the frequency and the level of control - choosing the degree of details which must be controlled and the control type

In fact, it will be permanently made an attempt to correlate the company's general objectives with the particularities and the characteristics of the individuals and the groups which activate inside and outside the company and which can influence these objectives' accomplishments. The two processes (the "economic" and the "political" one) are complementary and they counterbalance each other, and the management system's adapting process to these two processes ("organizational" process) represents the best warranty of the rigour and coherence needed to putting into practice the adopted strategy.

Omitting one of the three dimensions or favouring one against another can led to inadequate type of behaviour, incomplete and in some cases even destructive (figure 1) (Deac, 2000).

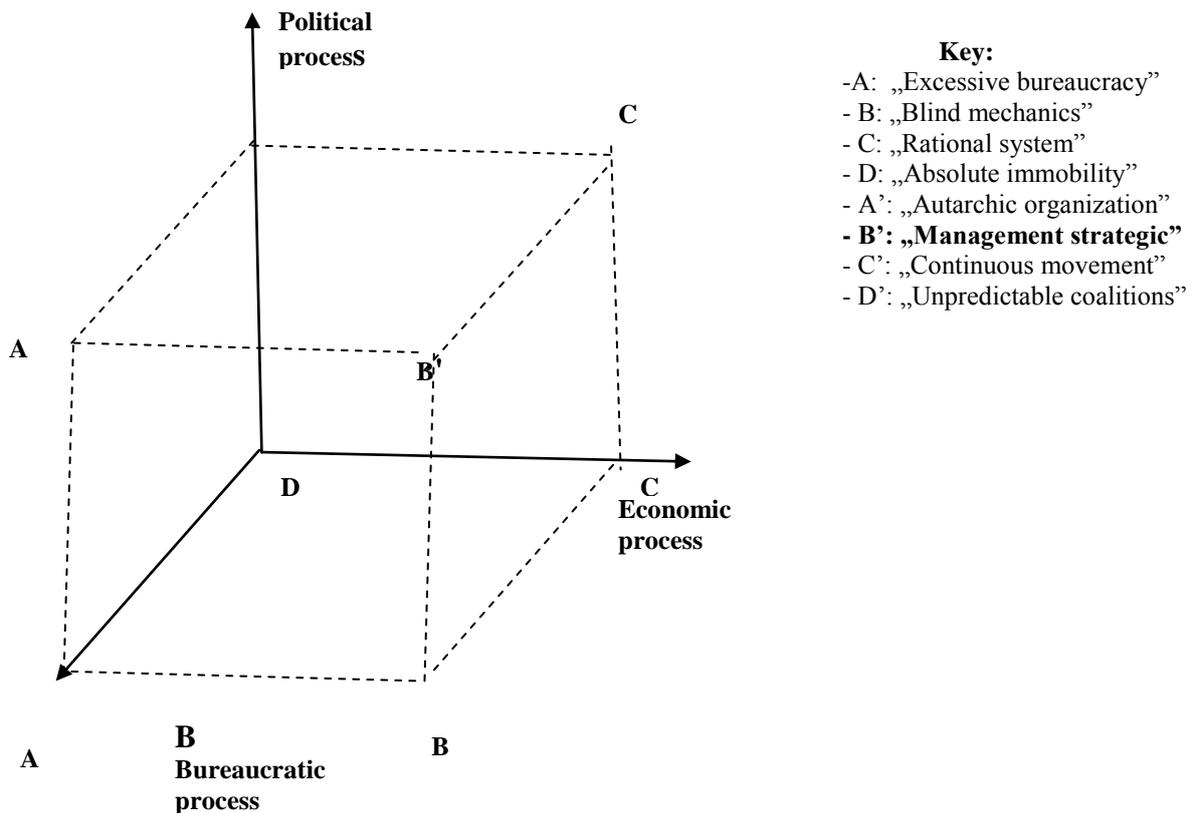


Figure no. 1. Strategic behaviours

When the “bureaucratic process” dominates the scene, at the expense of the other two, the situation reached is called the “**excessive bureaucracy**”, illustration a situation which doesn’t adapt itself to the environment. Everything is regulated inside the company, based on the procedures and policies in effect. The focus is placed on the correct solving of a succession of specified matters, in the order of their contribution to the achievement of the company’s main objective, which, most of the times, is disregarded by the company’s staff. **We’re talking about a bureaucracy in which the finality of an action is forgotten in favour of the daily activity.**

In case in which the “political dimension” is favoured against the others, we’re confront with the situation called “**unpredictable coalitions**”, in which the only thing that matters is searching and constituting groups of interests (as aspect which is met quite often in a crisis context). These coalitions are built as a result of various conjunctures, without considering a certain course of actions rationally established or by some formal rules whose purpose is to configure the established development procedure.

In case in which the “economic dimension” dominates, we’ll find ourselves in the “**rational system**” situation, in which the company is perceived as the unique player, aiming at a well-defined objective, established after carrying on an analysis of the external environment and a rigorous diagnosis of its activity. Everything is unfolding as if the entire company’s problems could be solved in a rational manner, without considering the impact of the various actions carried on by the groups inside and outside the company.

Combining the two dimensions can lead, as well, to a specific type of behaviour. Thus, focusing on the “political” and “economic dimension”, we reach to a particular situation called “**continuous movement**”. The company will be confronted with a great strategic instability, caused by the absence of the organizational frame, which would allow the consolidation of the results obtained

and keeping a continuous course of the actions that were going to be put into practice in order to implement the adopted strategy and to accomplish the previously established objectives.

“The political dimension”, combined with the “organizational dimension” lead to what is called “**autarchic organization**”. The only objectives considered are the one belonging to the various “players”, which will try to concentrate the organizational efforts in a direction that coincides with their best interests. It will be reached the paradoxical state of facts in which a deep analysis is accomplished in “political terms”, but the organization doesn’t have the necessary time to adapt on the structural dimension the successively established coalitions, excepting the case of some “ad-hoc” systems constituted in a conjectural manner and having an unique purpose (a frequent situation in our economy).

When the “organizational dimension” is combined with the “economic situation”, we’ll face a situation which can be called “**blind mechanics**”. This particular case highlights the total absence of the human, social, political dimensions in the strategy formulating process. We deal with a well-thought mechanics, rational, as a result of a perfect awareness regarding every action’s consequence, the external environment and the company’s internal characteristics. Opposing to the “autarchic organization”, very unstable, this situation is perfectly stable, but still considered to be totally unadapted to a real state of facts to be controlled.

The simultaneous absence of all the three dimensions lead to a case of “**absolute**” **immobility**”, characterised through a lack of connection to the concrete reality and the impossibility to act or to react to the environment’s influences. It’s the case of a company which possess neither the means, nor the necessary will to accomplish a certain task and it doesn’t know the targeted objective (a common situation in the ’90 in our country).

Finally, taking in consideration all the three dimensions simultaneously leads to the case of “**strategic management**”. In fact, what is permanently targeted is a correlation of the company’s objectives with the particularities and the characteristics of the individuals and groups inside and outside the organization, able to influence these objective’s accomplishment. *The two processes, respectively “the economic process” and the “political one” are complementary and counterbalance one another, a resolute condition in a crisis context, and the management system’s adapting process to these two processes (the “organizational” process represents the best warranty of the rigour and coherence needed to putting into practice the adopted strategy.*

We need to specify that a good knowledge of the specific company’s situation constitutes the first action in order to take some corrective measures in order to eliminate the existent deficiencies and to avoid some strategic behaviours which don’t match the context.

As it was previously emphasised, the strategic management involves in the same time both the systematic and efficacious implementation of the established strategy and the continuous estimation of recorded evolutions. Thus, while M. Porter underlined in the conference held in Romania in November 2007, referring to the companies’ failure to establish a strategy, he also underlined the fact that many managers let their strategies to decay and come to a low profile in time. Exemplifying with the Japanese companies, which were the main players of the operational efficiency 30 years ago, Mr Porter underlined the fact that, in extremely rare cases, the Japanese companies developed their own strategies (the ones who really did it –Sony or Canon, for example – are merely exceptions to the rule), the Japanese companies imitating one another, simply supposing that their competitors knew something extra. This aspect constituted the worst possible strategic mistake, leading to a escalate of rivalry, which in its turn leads to smaller prices and higher costs, entering, in fact, in what is being called: “**destructive competitiveness**”

(an aspect with negative effects, which are amplified in a crisis context, M. Porter proving the fact that *their salvation comes from strategy*, which implies “**creating a unique and valuable position which involves a set of activities that differ from those made by the competitors**” (Portr, 1986).

Another aspect of the relationship between the crisis and the strategic management is the one related to the necessity of a leadership. (Thevenet, 2009). The various options of a company’s management in order to overcome a certain extreme situation or to minimize some of the negative

effects of the current crisis isn't something that must be formulated after a process of taking decisions at all levels, starting with the lowest position and coming to the highest in order to obtain a consensus. The companies meant to overcome this crisis or the ones who'll win in front of the competitors (why not?) will be the ones with a powerful chief executive officer, who doesn't fear to take the lead, to choose and to take decisions, even if **some of these decisions aren't liked by the employees and by other categories of players. The enterprise management, in a crisis context, is put to a test in each moment, and only a powerful and consequent leader is able to keep up the course of actions when the various players (employees, syndicates, clients, etc) come with all kinds of arguments or new ideas to change the options.** A leader is needed, more than a manager is needed, a leader with a lot of trust in what is doing, acting with conviction and possessing real communicating skills (you can't just inform the employees about a wage cut smiling!). **It's also essential that anybody inside the company to understand his actions in order to overcome that critical situation and to act accordingly, an aspect that also involves a great degree of transparency, a good communication and persuasion capacities.**

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