Forces That Are Shaping Strategic Decisions

Racoceanu Cristina
National School of Political Science and Public Administration , Faculty of Communication and Public Relations
cristina_racoceanu@yahoo.com
Stanciu Anca Cristina
„Ovidius" University of Constanta, Faculty of Economic Sciences
castan22us@yahoo.com

Abstract

The growth of world trade and the emergence of globalization moved towards flexible economic systems and created unimaginable changes a century ago from the point of view of the interaction of societies as a whole, not only in terms of exchange of information but also at the level of interaction between organizations. Based on the latest theoretical and practical considerations, we could say that is necessary to evaluate continuously not only the results obtained from the analyzes of the quantitative and qualitative data, but also the tools used in the field of strategic management, in order to have a clear applicability, beyond the „laboratory thinking". The purpose of such a scientific approach is to analyze the existence of relationships of correspondence, conditioning and correlation between the results of these types of research.

Key words: strategy, management, environment.
J.E.L. classification: L21,M14, M21

1. Introduction

The theme aims to "close" the strategic tools management cycle by analyzing the linkage between external and internal factors and clarifying the effects (outputs, data, processes, procedures, flows) in a dynamic strategic management environment, both in terms of the evolution of the society as well as the individuals, from the business point of view. In the following, we intend to emphasize the importance of the analysis of the forces that are shaping the strategic decision. Forces that are generated both by internal and external factors and how different parts of the organisation must react in order to fulfil the organisational strategic objectives. (Adair, 2015).

The intention is to present the role of in-depth analysis as a premise of successful strategic decisions, in terms of realistic evaluation of the internal and external environment.In this context, we could talk about a complex activity for organizations, in order to elaborate an action strategy, this subject being left open to further in depth assessments regarding the effects of the impact of various actions, generated by the external environment factors in the field of the strategic management, as well as the measurement of the effects in terms of technological, social, political and economic change.

2. Theoretical background

From the business perspective, over the past 20 years, companies have approached the principle „Think globally, act locally", but very few have succeeded to adapt in a fast and flexible manner to the environment. This kind of making business clearly shows the importance of the factors that are shaping organization and it strategic decision, moreover, taking into account the fact that the local culture and macroeconomic factors in implementing a coherent and non-volatile business are drivers for the future development. Theoretical approaches have contributed, in time, to the understanding of the importance of external environment factors in substantiating strategic management decisions, reconfirming the paradigm by which the market - favourable location (on which an organization operates) and the potential of the economic development at national/regional level are the positive premises for organizational developments with the possibility of multinational expansion.(Porter,2008)

3. Methodology/Evaluation of the external and internal organizational environment

For a correct implementation of the strategic decisions, it is necessary to understand the external environment and to assess the internal factors (resources, capabilities, key success factors). Thus, the integration of the external environment analysis (the STEP analysis, respectively the **s**ocial, technological, **e**conomic and political factors), with the analysis of the internal factors (using the *Internal Factor Evaluation* matrix for the auditing of the internal environment from the perspective of three categories of aspects - structural, dynamic factors and processes, competitiveness), it is a primary condition in order to evaluate the strengths and weaknesses of the organization. (Fayol, 2002)

With the purpose of highlighting the external factors, in order to perform the environment assessment an organization must evaluate the *social* (or socio-cultural) *factors* - the lifestyle of consumers, consumption habits, social patterns, ethno-cultural and religious factors, *technological factors* - access to and use of technology (equipment, information and communications solutions, licenses, etc.), *economic factors* - national and international economic situation, the context of international economic agreements from the perspective of international trade, taxes and taxation, *political factors* - government policies, changes of the government/political leaders, political trends at national, regional and international level. In addition, is recommended to take into consideration another two types of factors which are used to scan the external environment and can influence strategic decisions: *legislative factors* (factors directly related to national and international legislation) and *environmental factors* (factors that consider the impact of the organization's work on the environment and it protection).

Now days, in a high competitively and a fast moving economical background, this external environment scan must be a tool used continuously for monitoring the macro-environment risk. Therefore, this analysis must be applied, taking into account the dual value appreciation from the perspective of the "beneficial" or "disadvantageous" characteristics. (Porter, 1998)

All these aspects which are taking into consideration the market on which the organization operates, the intensity of the competition and the creation and preservation of the competitive advantage are representing the basics of the future strategy for an efficient management, focusing on the requirements and exigencies of the client.

However strategic decisions, even if they are directly influenced by external factors, to which the organization reacts without being able to influence them, should be correlated to the internal resources. Therefore, the internal environment analysis considers the following elements: structural factors, dynamic factors and processes, competitiveness factors - as a projection to the market on which it operates, i.e. outcome. From this perspective, the organization needs to consider specific aspects, explained hereafter, in order to achieve the strategic objectives.

Organizational factors:

- ✓ financial, human, material resources;
- ✓ system of values and concepts shared by employees (organizational culture);
- ✓ aspects of the information system;
- ✓ issues related to research and development;
- ✓ brand/brands.

Dynamic Factors and Processes:

- ✓ elements that may influence the development of the organization and it performances on medium and long term;
- ✓ the level of adaptation to the dynamic of the environment;
- ✓ mechanisms, workflows and relationships between mission, management processes and quality of the outcomes.

Competitiveness factors of the market where the organization is activating: economic and financial competitiveness; competitiveness of the provided services/products; human competitiveness (including management); technical competitiveness; organizational competitiveness. (Luecke, 2005)

4. Failures in the pursuit of the organizational strategic objectives

Resources are not productive by themselves. Resources must be fructified, transformed into competencies and capabilities by proper coordination and management. Although, core capabilities changes over time and what it was at a certain moment differentiator on the market could change in a short time in an expected demand of the client, fulfilled by the rest of the competitors. From this perspective, the strategic decisions refer to the choice and firm pursuit of long-term development paths of the organizational competences. However, sometimes the lack of coherent use of these resources, as unique assemblies, is the factor which determines the performance gap between organizations or even the loss of a market advantage.(Drucker, 2007)

Why some companies, even big companies, did not realised their mismatch on the market? One realistic answer could be: they did not made a continuous evaluation of the internal and external environment.

In support of the above answer, we bring the following possible arguments, which are showing some common sources of deviations: financial resources did not show a downturn because of the market expanding; obsolete control systems; no feedback from the customer or no analysis of the feedback; no monitoring of the competitors; no monitoring of the legislation; no monitoring of the social and cultural trends; outdated technology; no employees motivation; unrealistic programming of the activity and misallocation of production capacity; no risk management and no contingency plan.

A company may be the first on the market, but could lose easy it prerogatives, if is not paying attention to all the factors that are influencing it strategy. If the downturn is less obvious this let the things get deteriorated more in time, with the risk of a hard and expensive coming back or even worse. In conclusion, in times where the whole economic establishment is trembling, the prepared ones are the survivors on the market. (Jackson et all, 2003)

5. Findings

The topic is extremely current due to the way of approaching the strategic management. This could lead to the formulation of new methodologies and action strategies. The theme offers the possibility to validate (from a practical perspective) and to improve the working tools of strategic decisions used in management analysis.

There is no perfect organizational conception, perfect managerial style or perfect working method. In reality, for each situation, a specific organizational pattern or specific strategic management must be found in order to be appropriate to that situation. In reality, for each situation, a strategy represents the result of internal and external environmental factors and sometimes leads to a remodelling of the organization. This it means to rethink and redefine activities and tasks and, sometimes, requires even the changing of some structural components.

This approach admits that people, strategies, tasks, culture and market environment may differ greatly from one organization to another. Typically, implementing a strategy involves moving the organization to a desired state. The future state to which it tends the organization describes how should function in the future and it is representing a strategic decision. This is effectively conducted when:

1. the organization is driven from the present state to the future one, according to the strategic planning,
2. the functioning of the organization in the future will meet the expectations (it will work as planned),
3. is proceeding without costs that the organization cannot support them,
4. the management ensures the achievement of strategic objectives. (Taylor, 2003)

The hypothesis from which we start is that an organization has maximum effectiveness when the main components of the activities are congruent with each other. When an organization encounters efficacy issues caused by managerial or organizational reasons, these problems arise precisely because of the existing mismatches in one or another of the connections or because of the lack of congruence between the organizational components. These aspects could be identified by having a proper analysis of the internal environment, analysis which will show the internal pressures that influence the route of the strategy implementation.

6. Conclusions

The permanent evolution of the organization's external environment could demand the beginning of organizational changes. For example, there may be technological changes, competitive factors or regulations, thus leading to certain changes in organizational strategy. If a new strategy is adopted or the existing one requires changes during implementation, the organization and its various compartments (departments, divisions, etc.) must fulfil some tasks that may be different from those previously fulfilled and this could generate a lot of internal pressure. Thus, it comes to the fact that some changes may be necessary in terms of organizational mechanisms, people and culture. Nevertheless, the findings resulted from a proper analysis of the economic environment give the opportunity to organization to emphasize a modern strategic management. Moreover, relationships interoperability established between the external and internal factors in the respect of the continuously shaping the strategy gives the possibility to develop predictions about the implementation of strategic decisions.

7. References

- Adair, J., 2015. *Leadership Strategic*, [online],Available at:< http://www.meteorpress.ro/carti-1263-Leadership_strategic.php> [Accessed on November 2018]
- Drucker, P., 2007. *Management Tasks, Responsibilities, Practices*, New edition, Transaction Publishers, [online] Available at: <https://trove.nla.gov.au/version/208065835> [Accessed on November 2018]
- Fayol, H., 2002. *Critical Evaluations in Business and Management*, London: TJ International Ltd., 2002; edited by John C. Wood and Michael C. Wood, [online], Available at: <https://trove.nla.gov.au/version/39685883> [Accessed on October 2018]
- Jackson, S., Joshi, A., Erhardt, N., 2003. Recent Research on Team an Organizational Diversity: SWOT Analysis and Implications, *Journal of Management,* article 29/801.
- Luecke, R., 2005. *Strategy create and implement the best strategy for your business*, Boston, Massachusetts: Harvard Business School Press, [online], Available at: < https://trove.nla.gov.au/version/9997049> [Accessed on October 2018]
- Porter, M.E., 2008. On Competition, *Harvard Business Review Book*, Hardcover, [online], Available at: <https://www.amazon.co.uk/Competition-Harvard-Business-Review-Book/dp/0875847951> [Accessed on October 2018]
- Porter, M.E., 1998. *Competitive Strategy: Techniques for Analysing Industries and Competitors.* New York: Free Press, [online], Available at: < https://www.hbs.edu/faculty/Pages/item.aspx?num=195> [Accessed on November 2018]
- Taylor, W.F., 2003. *The Principles of Scientific Management,* Digiread.com, [online], Available at: https://books.google.ro/books/about/The_Principles_of_Scientific_Management.html?id=w5zDngEACAAJ&redir_esc=y [Accessed on November 2018]