

## Strategic Planning Role in Organizations in Romania – Part of Management

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### Abstract

*The organization's resources are limited, and the effects of poor strategic planning available to the organization are felt in a short period of time. Therefore, efficiency aims at saving these resources, in order to be valued in other activities. Knowledge of this analysis is the support for substantiating decisions at the level of an enterprise, and for managers, such an analysis is essential. The strategic planning process directly helps the people involved, by assuming the roles and responsibilities of each, teamwork, employees having the opportunity to create value for the organization, and in addition can create job stability. The key to an effective planning process is to build measures and steps that allow management to follow the results closely at certain intervals. The main purpose of the research study is to analyze managers' perceptions of the strategic planning process.*

**Key words:** process, planning, strategy, organization

**J.E.L. classification:** M11

### 1. Introduction

The current situation has produced major changes in the market as a result of the pandemic. Now, more than ever, the strategic planning process has proved useful, requiring a period of reflection on all known data and their modification, in order to maintain a balance. Some managers assimilated the pandemic with a challenge, managing to emerge victorious, without suffering losses, but others failed to adapt, making unfavorable decisions. Not only did the managers face the most difficult decisions, but it was necessary to completely reorganize the activity, the plans created in the past were not suitable for such a situation, new ones were needed. The only source from which they could obtain information were the social media channels, and in this sense, in order to maintain a harmonious state within the company, the managers had to worry about the psyche of the employees. The measures they found referred to improving communication and transparency, special training, teleworking and social support. In order for these measures to be adopted, at the moment of the onset of the pandemic in Romania, the decision-making processes had another dimension, being necessary fast decisions, but also effective ones.

The partial or total reduction of the activity led to negative effects, the revenues froze (especially in the tourism industry, or the organization of events), and the companies whose object of activity they were faced with an unprecedented situation. There have been companies that have predicted such situations, implementing measures in advance if they can not operate, adapting to the online environment and technology, managing to survive for a short time, but some were completely unprepared, pandemics or disasters of this type being very rare.

An important aspect is underlined by the ability to use technology, to promote the content of the platforms in which the company's activity has been transposed, in this way being attracted customers to the products or services offered. Strategic plans that included investments in technology and the creation of an online position have proven to be effective in recent months. This method is used by most businesses today, but there is a possibility that it will become insufficient over time.

The importance of strategic planning derives from the ability of managers to deal with uncertainty in a way favorable to the company, thus achieving efficiency and effectiveness. With a well-defined plan, the disastrous effects of changes in the environment can be reduced, and the definition emphasizes the idea of being a plan that takes into account all the factors of influence, by all the staff concerned, and, last but not least, to can be adopted at all hierarchical levels of the company.

The path followed by strategic planning starts from the mission, the vision of the organization and the triggering idea of the need for such a process. Once the cause or situation that causes this need has been identified, the people involved, the processes, the knowledge and the resources that must be taken into account in starting the process are identified.

It is desirable that the planning be done in accordance with a set of strategies, for the following reason: today's businesses are conducted in a large market, and change occurs at a pace sometimes difficult to imagine, taking through surprise any plans made up to time zero. In the past, strategic planning was done only by some companies, for purposes such as gaining competitive advantage or to create the image of an organization concerned about the future, but today the process is the way to survive. No company can remain in a dynamic market if it does not have knowledge about the situation in which it is and what it is heading towards. The strategic planning process has the role of balance, balancing the company's initiatives with staff revenues and productivity.

## **2. Literature review**

Management can be defined as the process of efficient and effective achievement, through planning, organization, coordination and control, of things through and with people, in order to achieve organizational goals (Fayol, 2005). Starting from this given definition, one can observe the importance of planning, being the first function of management, indispensable for carrying out the activity.

A subdivision of management, strategic management is a task with a high complexity, but it is a useful framework for designing and developing the strategic plans of the organization, in order to achieve the proposed objectives (Fred, 2007). Described as an intellectual map, it deals with a company's strategies, from the design phase of a plan to the subsequent analysis of its implementation. Strategic management is an effort to reap the benefits of strategic thinking (Parnell, 2013). The efforts involved in strategic management are underlined by actions aimed at achieving a path that the organization must follow until reaching a goal, but this path must include the necessary means and analysis, both internally and externally, as well as factors influencing the company (Koufopoulos, 2012).

Achieving through actions and thinking, strategic management has emerged as a necessity in order to reduce the negative effects that could be caused by the environment to the organization in question. Living in a time when change is taking over all sectors, senior management must focus on strategic management, in order to anticipate the events that could take place and at the same time the solutions to remedy these problems, so that the company is ready for any obstacles (Rothaermel, 2020).

Strategic planning has as its starting point the mission and vision of the organization. It can be described as a series of activities aimed at defining and applying all the tools necessary to achieve the objectives and long-term pursuit of the organization's mission. This process is similar to the idea of an investment, whether we refer to material resources, or financial, human or time, being based on well-thought-out decisions by the company in order to use part of its wealth (Koufopoulos, 2012).

Researching in detail the most favorable directions of action, the planning can take several months, depending on the amplitude it has and the final goal to be achieved. Although, by its nature, it presupposes future orientation, it can only be executed with the help of an analysis of the past and present, so that we can identify the correct actions taken so far, the ways and methods for which we know their applicability, and the skills or actions that requires development and refinement. Done

correctly, strategic planning is the process that triggers the desire to learn and improve the organization as a whole (Amason and Ward, 2020).

The major advantages held by companies that resort to strategic planning are directed towards the financial part and towards the part of creating a favorable image in the eyes of its clients or partners. There are five guidelines for taking advantage of a strategic planning process in your organization (Kaplan and Norton, 2020):

- 1) It aims to prevent conflicts in the internal or external environment
- 2) The participation of the staff in the process leads to different opinions and more complex ways of approaching, being combined the ideas of several individuals, a broader image of the events that can be encountered is formed and, implicitly, more solutions to approach and remedy situations.
- 3) The motivation of the staff is achieved, in an indirect way, by their participation in the construction of this process.
- 4) Through the contribution brought by the company's employees, being necessary the team work, the possible divergences between the members of the company can be diminished.
- 5) Since the staff participates, the applicability of the measures becomes easier, being their own ideas it is easier for them to adopt them. In this way the opposition disappears, and the procedures or methods to be implemented are easier to understand and respect in the future.

The big disadvantage of carrying out the process derives from the high costs, to which the company could be subjected in establishing the strategic plan. The costs can be so financial, requiring cash for various meetings, programs, implementation of other processes, but also labor costs, there is the possibility of the need for specialized people, with skills not found in the organization. In terms of time, it can also be a valuable resource that is consumed in the process, requiring a long time to establish all the specific stages of strategic planning.

### 3. Research methodology

The general objective of the research is the analysis of managers' perceptions on the importance of the strategic planning process within Romanian organizations. The research was quantitative, using a questionnaire-based survey and aimed to analyze how managers carry out the strategic planning process and the importance generated by the benefits resulting from this process organized by several companies in Romania. The sample consisted of 327 managers of companies in the fields: *IT, energy, automotive, production*.

In the analysis of the companies subject to the research study, several modern methods of strategic planning were highlighted:

*M1. The G.A Cole model:* comprises two stages, the first being oriented towards the correct and clear definition of the goals, and the second aims at reviewing the results obtained from the previous plans implemented. The objectives will be formulated using the well-known SWOT analysis, integrating both stages at the same time.

*M2. Hoshin Kanri model:* it is mainly applied by companies that want a consistent approach for all hierarchical levels, being optimal for large organizations, where there are at least three levels of management (front-line management, medium and higher). It helps to achieve vital goals, focusing all the attention and efforts of managers towards them, and through the model are provided guidelines for actions to effectively manage change.

*M3. Planning with scenarios:* the method shows only the part that will follow, the future, being considered by researchers the most useful method in strategic planning because it reduces uncertainty, addressing possible future events in time. Scenarios help to test the disastrous effects that an organization could suffer for certain reasons.

*M4. PESTLE analysis:* similar to the SWOT method, it draws attention to the past-future anchor, but the big difference between the two is that PESTLE focuses only on external factors, following their evolution, and providing a future perspective. The acronym, in fact, represents the following segments: political, economic, social, technological, legislative and ecological. The factors in each segment have a significant influence on the company, either positive or negative, but in any case they can generate considerable changes.

In order to achieve the established objectives, the research aims at validating the hypotheses:

*Hypothesis 1:* Identifying how to carry out the strategic planning process;

*Hypothesis 2:* Identify the benefits of the strategic planning process.

The model tries to use, at maximum, in a scientific way, the informational base, and the procedures for imitating the rational mode of decision making is, in more or less elaborate forms, the conceptual essence of the models.

The steps of the global utility method are as follows:

**Step 1.** We build the utilities matrix with the elements  $x_{ij}$ ,  $i = 1, \dots, r$  and  $j = 1, \dots, n$   
Each matrix element is calculated for the maximum criterion with the expression:

$$x_{ij} = u_{ij} = \frac{x_{ij} - x_{i \min}}{x_{i \max} - x_{i \min}},$$

and each minimum criterion with the expression:

$$x_{ij} = u_{ij} = \frac{x_{i \max} - x_{ij}}{x_{i \max} - x_{i \min}},$$

where:

$x_{ij}$  = value of the  $i$  indicator associated to the  $j$  indicator;

$x_{i \max}$  = minimum value of the  $i$  indicator;

$x_{i \min}$  = maximum value of the  $i$  indicator.

**Step 2.** We calculate the global utility for each project, as the sum of the products between the utility matrix elements (the column vector corresponding to the project) and the importance coefficient given for each indicator.

$$UG_j = \sum_{i=1}^r \alpha_i u_{ij}, \text{ where } \sum_{i=1}^r \alpha_i = 1$$

**Step 3.** We choose the project to which the  $V_j$  maximum global utility corresponds.

$$\max\{UG_j\} \Rightarrow V_j \quad j = 1, \dots, n$$

For differentiating a decisional  $V_i$  variant (given  $n$  variants), and for selecting the best offer by simultaneously considering various assessment criteria ( $C_j$ ,  $j = 1, \dots, n$ ) we use the maximum global utility method. Finding the best combinations of attributes (characteristic of a variant) forms the object of the multi-attribute problem.

This involves the transformation of all number values  $a_{ij}$  (expressed in the associated measure units) and qualitative characteristics in utilities  $u_{ij}$ , that is, numerical (dimensionless) values located in the range  $[0, 1]$ . The basic assumption in the correct operation of the weighted sum method is the independence of the criteria. The largest of the synthesis utilities indicates the best option.

#### 4. Findings

Table no. 1 presents the informational basis of the study, respectively the share of importance that managers give to each method of strategic planning.

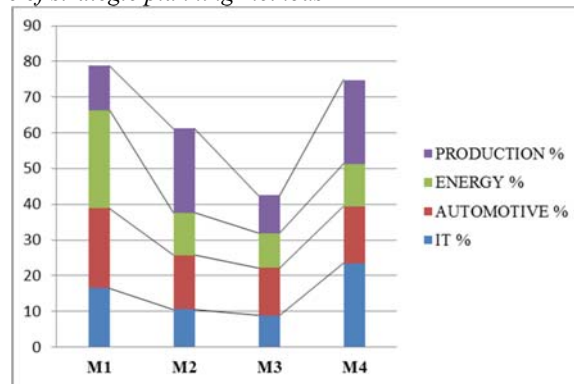
Table no. 1. The importance of strategic planning methods

STRATEGIC PLANNING MODELS	FIELD OF ACTIVITY			
	IT % (v1)	ENERGY % (v2)	AUTOMOTIVE % (v3)	PRODUCTION % (v4)
M1.G Cole model	16.45	22.35	27.5	12.5
M2.Model Hoshin Kanri	10.55	15.15	11.9	23.61
M3.Planning with scenarios	8.9	13.25	9.8	10.54
M4.Analysis PESTLE	23.45	16	11.82	23.55

Source: developed by the authors based on the collected data

The resulting results indicate that the manager first takes into account the strategic planning method: *M4*. The *PESTLE* analysis and finally the manager takes into account the *M3* method: *Planning with scenarios* (Figure no. 1).

Figure no. 1. The share of strategic planning methods



Source: developed by the authors based on the collected data

Going through the calculation algorithm involved:

Step 1 - building the unit matrix with the elements  $x_{ij}$  Figure no.2

Figure no. 2. The matrix of units

$$\begin{bmatrix} 0,26 & 0,66 & 1,00 & 0,00 \\ 1,00 & 0,65 & 0,90 & 0,00 \\ 0,00 & 1,00 & 0,21 & 0,38 \\ 0,99 & 0,36 & 0,00 & 1,00 \end{bmatrix}$$

Source: developed by the authors based on the collected data

Step 2 - Calculation of global utilities for each organization (Table no. 2):

Table no. 2. Results of the calculation of global units

GLOBAL UTILITY	RESULT
IT	2.25
ENERGY	2.66
AUTOMOTIVE	2.10
PRODUCTION	1.38

Source: developed by the authors based on the collected data

Step 3 - Table 2 shows the calculation of global utilities, the highest global utility of companies in the field of ENERGY. Therefore, following the application of the algorithm for calculating the maximum global utilities method, it can be concluded that ENERGY organizations have best assessed the importance of strategic planning methods.

*The first hypothesis*, that of identifying the way the process is organized, generated valuable information about the time for which the future is planned: the time horizon being a short one, comprising 1-3 years. According to these results, managers are focused on thinking and building plans for the near future, not for very long periods of time, which can be explained by the fact that unforeseen situations can be expected for a limited time.

*The second hypothesis* included the identification of the benefits enjoyed by the organization, after carrying out a strategic planning process. The benefits found can be grouped into two categories: employee benefits and organization benefits, viewed as a whole. Managers believe that employees have been encouraged to get involved and collaborate harmoniously in the various actions proposed

following the strategic planning, but they have also been motivated by the consolidated position that the organization has formed in the market, where there is job security.

## 5. Conclusions

This research can be justified by the need to identify the reasons why the strategic planning process at the level of an organization is important, regardless of its field of activity. The specialized literature offers many similar researches, but for organizations in Romania they are very few, in terms of the importance of strategic planning.

Like any process, strategic planning presents its particularities depending on the country, the specifics of the organization, its dimensions, and the global evolution. In the case of large organizations, this process is broader, while in smaller ones, even non-profit ones, it is easier to accomplish. The usefulness of strategic planning is emphasized in Romania within successful companies, those concerned about the future and who want to reduce uncertainty as much as possible.

The role of strategic management is felt in Romania when the complexity of the environment has reached significant proportions, and the multiple changes encountered in the life of the company, but also of the activity carried out at microeconomic level have imposed the need for deep plans.

Most managers in our country opt for PESTLE analysis, being the most accessible and well-known analysis of the company's environment, addressing the four hemispheres in which it is located. It is an analysis that does not require considerable effort. In addition, for a deeper analysis, they also choose the Hoshin Kanri model, thus obtaining information about the external environment, in order to be prepared for possible situations.

Being more difficult to achieve, and considered resource consuming, the other models, such as GA Cole and Scenario Planning - are avoided by most Romanian managers. These require a longer period of time and availability, both material and financial, to be accomplished effectively.

The costs of the process can be justified by the importance of building a set of advantages and benefits that flow from it, but more than half of the companies are not willing to accept such costs.

Managers go through this process in order to create a foundation on which to support their entire effort, the actions being creative of value, vision and positive results, and a combination of a strategic plan with the facts, the organization will experience a favorable transformation.

The result can be a company that emphasizes responsibility and priority activities, to which are added the following benefits:

- ✓ Better decisions through effective communication: since the vital elements of the legal entity's existence (mission, visions, objectives, values) are established, managers can make the right decisions, adapt and develop new systems, make the right investments, saving in this way the limited cash he has.
- ✓ The tension disappears from the internal climate: the participants in the process express their opinions and are forced to collaborate in order to successfully complete, thus eliminating any tensions or confusion between employees.
- ✓ Increases concentration: all staff involved make efforts in the process, turn their attention to what is important and eliminate other irrelevant issues.
- ✓ Obtaining a competitive advantage: planning gives advantages to organizations, and through the analyzes performed a new market segment can be conquered, or the action can be focused only on that product / service offered to customers, in order to improve it and bring something more competition, gaining a significant share of the market in this respect.
- ✓ It gives confidence and better solutions: at first it can be seen as a difficult, expensive process, but the great advantage is that solutions are thought for the future challenges facing senior management. Preparing for the unpredictable gives a certain degree of security and confidence that the company's revenues will not be severely affected by what follows.
- ✓ Reduces risks: reduces to a certain extent the risk of errors, anticipating change and reaction actions of the company. This ensures a harmonious evolution in the medium to long term, adopting plans for the resources available to the organization.
- ✓ Increases employee motivation and performance: since the participants in the strategic planning process deal with the future plans of the company, establishing exactly the future actions are recorded performance at the level of work performed. Employee motivation arises from the

stability of the organization in the face of dangers, there are pre-created plans with related remedial solutions.

In conclusion, a correctly organized strategic planning process, in accordance with the particularities of the company can lead to a sustainable business over time. If for some companies, the strategic plan has a special importance, for others it is only a process that supports postponement.

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