

# STRATEGY AND STRATEGIC DEVELOPMENT OF A BUSINESS ORGANIZATION

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**Abstract:** The dynamics of the market environment and intensified competition in all economic sectors brings to the fore the need for refinement of the implemented strategic policy and the strategy of the business organization. This is a challenge for the management team to develop strategies and implement policies that provide sustainable competitive advantages and is related to the ability to apply the strategic management tools in practice. The present report tracks the scientific discussion concerning the substance of the strategy and of the strategic management in the context of their ability to support the sustainable development of the business organization. The focus is on the specifics of strategic management in the business organization. On the basis of a survey conducted the level of compliance between the managers' understanding of conducting strategic management and implementing strategy, and the scientific thinking on the issues in question. An attempt has been made to systematize measures and recommendations for improving the quality of the realized company strategy and strategic management.

**Keywords:** strategic management, strategy, strategic thinking, strategic process, strategic success

## 1. Introduction

The dynamics of the market environment and intensified competition in all economic sectors brings to the fore the need for refinement of the implemented strategic policy and the strategy of the business organization. This is a challenge for the management team to develop strategies and implement policies that provide sustainable competitive advantages and is related to the ability to apply the strategic management tools in practice.

In the conditions of increased competition, the strategic policy pursued is of particular importance for business development. This requires the management team to know the tools of strategic management and to be able to apply them in their management practice. The same is an argument for the purpose of this report, namely: to follow up the scientific discussion on

the substance of the strategy and the strategic management in the context of their ability to support the business organization's sustainable development.

On this basis, it is necessary to systemize measures and recommendations for improving the activity of the managers in the field of strategic management.

## 2. The Nature of Strategic Management

In the theoretical knowledge and management practice, different concepts and interpretations of the nature, scope and scope of strategic management are known (Николаева, 2012).

In this paper, the following understanding of the substantive scope of strategic management has been adopted:

- It is a particular system of actions necessary for the achievement of the objectives set in the context of resource constraints.
- It suggests decision-making related to formulating, selecting, implementing, controlling and evaluating the strategy.
- It is a complicated, dynamic and complex process that consists of sub-processes.
- It is a tool for achieving long-term development.
- It is a symbiosis between intuition, experience and art, typical for senior executives who establish organization for the realization of strategic goals, taking into account the influence of external environment and the potential of the internal.
- Employees of the business organization are active participants in the strategic management process, and their participation depends on their position, qualification, and skills. In this respect, strategic management is a specific "collective sport" in which all employees participate.

Table 1 summarizes definitions of scientists whose understanding of the essence of strategic management is used to formulate the above features.

**Table 1.**  
*Essential characteristics of strategic management*

Author	Definition
ANSOFF (Лапыгин, и др., 2005)	Strategic management is a set of strategic planning, planning the capabilities of leadership, and managing the process of strategic change.
ANSOFF (1984)	Strategic management is designed to identify the organization's location in the environment in which it evolves, and to ensure success and prevention against surprises that threaten its business."
PANOVA	Strategic management must be able to adapt the organization organically and consistently to

(2010)	the changing situation in the external environment and by "making adequate solutions today" to ensure the survival of the organization in the long run, as well as strong competitive positions in achieving the goals set.
VIHANSKIY (2000)	Strategic management is such a management that uses human capital as the basis of the organization, oriented towards productive activity that meets the demands of the organization, implements flexible regulation and modern changes in the organization, taking into account the state of the environment and gaining competitive advantages, and as a result ensures survival, development, and results in long-term goals.
WISEMA (1996)	Strategic management is a style of management and a method of communication, information transmission, decision-making and planning, with the help of which the government takes timely and concrete decisions about entrepreneurial activity.

Note: author's development

### 3. Essential features of the strategy

Regarding the content of the strategy, the following understanding has been adopted.

- Strategy can be presented as a logical system for identifying the tasks, activities and policy of the organization;
- Strategy can be seen as a tool and means for managing the business organization;
- It reflects the philosophy for the development of the organization and determines the structure and nature of the managerial decisions made;
- Formulation is both a concrete and abstract process;
- The implementation of the strategy suggests the preparation of an action plan;
- The strategy measures the behavior of the business organization towards changes and dynamics in the environment;
- It is the generator of various economic and non-economic benefits to the business organization and its contact audiences.

This understanding is based on the review of the scientific work of a number of scientists in the field of strategic management (Table 2).

**Table 2.**  
*Essential characteristics of the strategy*

Author	Definition
ANSOFF (1989)	A set of decision-making rules under which managers should be guided in achieving their goals: <ul style="list-style-type: none"> <li>• rules for carrying out the day-to-day activities of the organization;</li> <li>• rules for establishing relations and procedures in the organization;</li> <li>• rules for creating relationships with the external environment too;</li> <li>• rules for using the results of the organization's activities with the external environment.</li> </ul> Strategy is a concept hard to capture and somewhat abstract ... Strategy is a complex and potentially powerful weapon, with which the modern company can oppose the changing

	conditions...
KUNTS, G., S. O'DONNELL (1981)	Strategy is a common agenda for action and for the allocation of priorities and resources in the interest of achieving the broad objectives.
ZAFIROVA (2008)	Strategy is "the course chosen by an organization, pursuing its goals". In order to develop strategy, there must be set objectives, it is necessary to study the external environment, to diagnose the internal environment.
HENRY MINTZBERG (Хангер, Уилен, 2008; Mintzberg, 1976)	The strategy is a set of 5 "p"; <ul style="list-style-type: none"> <li>• strategy as a maneuver (ploy);</li> <li>• strategy as a plan - a system of successive actions (plan);</li> <li>• strategy as a guideline as a model and pattern (pattern);</li> <li>• strategy as a position in the environment (position) - position of the organization in the external environment towards the main competitors;</li> <li>• strategy as a perspective on the future (perspective).</li> </ul>
CHANDLER (Петров, Христов, 1992; Chandler, 1962)	Strategy involves defining the main long-term goals and tasks of the enterprise, working out the way of action and the order of allocating the resources needed to achieve the objectives.
NORTON AND KAPLAN (2006)	Strategy is not an isolated process of management, it is a stage in the logical sequence of steps that define the organization's mission from the mission to the specific strategic tasks the performers are facing. ... Strategy is a set of such types of activities where the organization must achieve perfection to create a sustainable competitive advantage on the market. ... Strategy reveals how the organization intends to create sustainable (long-term) value for its shareholders.
HICKMAN AND SILVA (1991)	Strategy is a working plan, intention or purpose, style of behavior, position adopted, future perspective.
SEMERDZHIEV (2007)	Organizational strategy is a system of publicly acknowledged and generally accepted views and understandings of the ways, methods and means of sustainable development of the social organization and its members in accordance with the state and the development of the surrounding environment. It is an integral part of the general conceptual framework of the social organization. In this respect, strategy is interpreted as a set of plans, methods and means of action, characterized by large-scale, long-term, causal-resource-intensive and a priori uncertainty.
PETROV, I., ST. HRISTOV (1992)	Strategy can be seen as the technology and philosophy of the business organization. As a technology for the implementation of the practical activity, strategy creates an environment for the realization of activities and processes related to the day-to-day work and ensures the coordination and purposefulness of the business organization's actions in the implementation of the final goal. As philosophy, it is a system of principles and basic decisions that must ensure the fulfillment of the main, vital goals of the business organization.

Note: author's development

Lynch (Lynch, 2000; Аналоуи, Карамии, 2005) views the strategy in terms of ability and generates, supports and develops competitive advantages, and in this respect defends the position that it should be formulated only after careful analysis of the environment. (Areas where competitive advantages can be formed and developed are: differentiation, low cost, marketing within a market niche, high level of business or technology efficiency, quality, maintenance and service, vertical integration, synergy, culture, leadership, and style of management.)

Strategy should help focus attention on certain activities and opportunities and remove all others that are inconsistent with the organization's priorities. Due to the invariant exits in the planning of concrete actions, it is necessary to use highly aggregated, incomplete and

probable information about the different alternatives, which in the course of planning and especially during the implementation of the strategy acquires the necessary specificity.

The formulation of the strategy is a complex and integrated process that has a direct impact on the formation of competitive advantages of the business organization.

#### **4. Strategic Management in the Business Organization**

The skill to form competitive advantage is a challenge for business organizations, which are increasingly being asked to review their pre-defined development priorities, to change their policies, and to develop measures to help achieve the set goals. At present, providing a regular strategic planning process is an exception rather than practice for the Bulgarian business.

It is worth noting that more than 90% of the enterprises in Bulgaria are in the group of small and medium-sized enterprises (SMEs). This is the reason for the relatively limited implementation of the strategic management toolkit. The survey is aimed at determining the extent to which the rules of the theoretical knowledge in the practice of business organizations are observed in the course of their policy of strategic behavior, the strategy and the strategic planning process.

The survey was attended by 150 business organizations from different sectors of the economy. Commerce and Tourism sectors dominate, followed by Construction and Repair. Structured and semi-structured issues are used to make the results easier to process.

The conducted study on the state and quality of the strategic management has shown quite mixed results, which are predetermined by:

- different business activities of business organizations;
- their size;
- the size of the market they operate in.

It is these differences that make it difficult to fully generalize the summaries. This report adopts an approach to systematize and take into account only those facts and circumstances that allow the emergence of type problems and opportunities to improve strategic management in business organizations. In this sense, it should be noted that the issues that are of strategic nature for the enterprises covered by the survey are highly dependent on the specific features of the environment in which each enterprise develops - a key feature of strategic management. The facts, conclusions and summaries presented are part of a larger study, the results of which are to be systematized and published.

More than 90% of enterprises surveyed lack a strategic management department. The main reason for this is the size of the enterprise due to lack of resources and staff shortages.

Strategic management is carried out by the manager and his deputies (if any). The majority of surveyed enterprises state that they do not carry out strategic management according to the accepted theoretical concepts. Reasons for this are again the scarcity of financial resources, the size of the business, the shortage of qualified staff capable of applying the strategic management toolkit. For some, due to the nature of the work, management does not take into account the need for strategic management. These are enterprises that work in tolling or are involved in subcontracting chains. They often have only one customer / partner and this is a necessary and sufficient condition for them not to think strategically and not to worry about the existence of their business as there is a secure customer / market. It can be concluded that these companies are some of the most risky ones, as they are in fact without any prospect of development in the short term if their partner / customer abandons future cooperation with them. This threat is not perceived as legitimate by their guides, and even less perceived as strategic and as such, which may lead to the necessity for a strategic change or the liquidation of the business. Nevertheless, their guides consider that the sustainable development of their business is not under threat.

Most of the companies involved in the survey have indicated that at least once a month they monitor the performance of the tasks. Often, this is a period that coincides with the accounting final reports (3 or 6 months) or once a year. For the smallest, this is only done when an urgent problem or an unexpected order occurs.

As the main strategic areas in which they concentrate their efforts the following are outlined:

- attracting new customers;
- keeping the existing ones / minimizing the loss of customers;
- developing profitable products;
- entering new markets;
- providing financial resources;
- attracting qualified staff;
- modernizing the equipment;
- improving the quality;
- finding a supplier;
- finding a strategic partner;

The competitive advantages of business organizations, according to themselves, are determined by the nature of the products / services offered, by their price, by the competition and by the implemented advertising policy. The impression is that companies are perceiving the elements of the marketing mix - product, price and promotion as a major source of

competitive advantage. The impression is that companies are perceiving the elements of the marketing mix - product, price and promotion as a major source of competitive advantage. (Only 5% of the responses indicate distribution as a leader in defining competitive advantages.)

In order to maintain and develop their competitive advantages, organizations often rely on improving the product they offer, on promotional policy, and regular customers.

The strategic areas identified as priority for the development of business organizations allow the following conclusions and generalizations to be formed:

First: The main sources of strategic advantages of surveyed enterprises are mainly in the external environment. This shows that they find the threats to the existence of their business primarily and mainly outside the companies they manage.

Second: Defining financial capabilities as a factor determining strategic success shows a peculiarity of the strategic management of Bulgarian enterprises, which is mainly a limited financial resource that does not allow the realization of much of the strategic alternatives, even if they are achievable and well planned.

Third: Very often the factors of the internal environment are not perceived as determining the strategic development. This can be considered as a potential strategic mistake because of ignoring some of the factors involved in the formation of organizational potential.

In the context of strategic management, the analyzes most commonly used to substantiate established strategic choices are SWOT analysis, Michael Porter's analysis of the five forces operating in a competitive environment, SPACE analysis and BCG analysis.

The impression is that companies participating in the survey rarely apply the entire methodology of the SWOT analysis. In most cases, it means to identify and systematize influencing factors that can be used to identify the areas in which strategic success can be sought.

Rarely organizations develop written strategy, prerequisites for this are:

- the size of enterprises;
- the amount of assets;
- available production capacity;
- qualification and skills of top-managers;
- the size of the market.

All enterprises surveyed indicated that they have formulated objectives, but not all of them have shown that they have been written down in the appropriate order and in the relevant documentation.

Almost no strategic plans are being developed because of the lack of knowledge of the strategic planning methodology and tools.

Acquired knowledge of the essence and particularities of the application of strategic management, the managers of the organization have acquired:

- from knowledge gained in the course of training;
- from qualification courses.

A lot of small and medium businesses managers do not have specialized knowledge and skills in strategic management. This can be explained with the basic prerequisites for the creation of individual business in Bulgaria, namely:

- Unemployment, which encourages decision-making to start various business initiatives;
- the existence of good ideas that cannot be realized in any other way except by starting up your own business;
- availability of free resource and willingness to invest it in some business venture.

The first two reasons are often characterized by the availability of management experience and business management skills. In this sense, the leaderships of these business organizations are not in a position to implement strategic management, as there is a lack of knowledge about its implementation.

The study shows that there is a clear awareness of the need for strategic management.

Despite the identified weaknesses and omissions in the processes carried out in the business organizations in relation to the strategic management, there is an increased interest of the management of the enterprises in implementing strategic management tools in their activity, in developing and following previously chosen and reasoned strategy.

There is a change in the business behavior of business organizations, especially those in sectors that are recovering faster than the economic crisis - much more often, initiatives are being taken to develop the market or business. As expected, microenterprises most often have primarily passive strategic behavior.

The main barriers to strategic management not to be applied are time, resources, and capacity. This is a prerequisite for systematizing measures that are relevant and applicable in the surveyed enterprises:

- autonomous involvement in the training of employees and managers from organizations where the need for strategic management is realized and training is part of the planned strategic change;
- engaging branch organizations or organizations from state and local government structures, including through project funding tools to help provide qualification courses, motivating and engaging in training of interested members of business organizations;
- engaging qualified staff to implement strategic management within the business organizations themselves, in cases where organizational capacity is available and the need for strategic change is realized.



## Conclusion

The review of the specialized literature allows for the following generalized understanding of the content scope of the strategy:

- Strategy can be used as a guide to managing the organization that shapes the behavior of all its employees.
- It is an integrated and long-term model of general organizational behavior that is applied in terms of resource, spatial, temporal limitation and uncertainty.
- Strategy prerequisites the architecture of initiatives that form the strategic identity of the business organization and ensures consistency between the potential of the internal environment and the limitations or opportunities of the external environment.
- Implementation of the processes of strategy formulation, planning and realization are inextricably linked to the process of strategic management.

The survey conducted among business organizations shows that:

- The attitude towards strategic management is changing, taking into account the increasing interest in it.
- The nature of the applied strategy is changing - from protection and stabilization strategies to growth strategies. The change in strategies is relevant to the life cycle of the market where the company operates.
- There is a tendency for purposeful implementation of strategic management and the formation of knowledge about its essence.

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