

STRATEGIC APPROACH TO MANAGEMENT AND ORGANIZATION OF THE MODERN ECONOMIC ENVIRONMENT

Temenuzhka Karolova Chromy–Zhigalova ¹

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Abstract

The strategic approach to management and organization is a synthesis of comprehensive knowledge and skills for foreseeing the evolution of events, their adaptation to the changes of the environment, and thus providing for the well-deserved development of the organization in the modern economic conditions. It is impossible to use only one field of knowledge as the theory of information, for instance, in order to successfully perform strategic transformations. Only the systematic and comprehensive approach to changes can lead to positive results of the organizational activities.

Keywords: Strategic management, competitive advantages, efficient and strategic management, economic transformation

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The basic of business management is to develop a strategy and adapt it to the specific nature of the company, and its implementation. The *strategy* of a company is a comprehensive management plan that is to establish the company on the market, providing for coordination of the efforts to win and satisfy customers, successful competition and reaching its final goal. The process of strategy development is based on a detailed study of all possible tendencies of development and activity, and it is finalized by choosing a general trend, establishing on a market that would satisfy the customers, identifying the competition methods, recruitment of resources and business models.

One of the main issues for each organization that is operating on the market is to create conditions for efficient activities that provide for its continuous development.

Depending on the existing external conditions and the internal circumstances, this issue receives different settlement by the different

¹ Department of Economics, South-West University “Neofit Rilsky”, Blagoevgrad, Bulgaria, Assoc. Prof. PhD, tkarolova@abv.bg

organizations, and the common thing is the hard work and persistent analytical work to establish, implement and maintain the *competitive advantages*.

The term competitive advantage involves the possibility that the company would be better (in certain aspect of its activity) than its rivals. M. Porter points out two main sources of competitive advantages – maintenance, costs and differentiation (Porter, 2003).

Actually, these courses can rely on considerably larger number of factors. In fact, the high reputation of the company, availability of qualified personnel, application of modern methods and management systems, development of marketing activities, long-term relations with customers, etc., result in the formation of competitive advantages of large scale that are connected with cheap workforce, access to cheap resources, etc., which are not that lasting because these can be easily used by the competitors.

Besides, the availability of specific advantages (as cheap raw materials, specific technology, and concrete suppliers) increases the probability of rivals to take away these advantages from the organization. In some cases the organization would give up some of their competitive advantages in order to prevent the imitation of their production.

One of the factors that would preserve the leading role of the organization is the research, scientific and technical work. The *innovation process* allows the companies to start implementing their competitive advantages on a larger scale and increase the number of their sources (Karolova, 2003, p. 53).

It needs to be pointed out that the competitive advantages are not to be taken for granted – they are formed and maintained only by continuously enhancing all spheres of the activity which involves labor-intensive and, as a rule, costly processes. Companies need to understand and assess well their competitive advantages. And it is precisely the point that identifies the increasing role of the strategic approach to management.

The interest in the strategic method is determined by the influence of a number of factors as the rapid macroeconomics, globalization of business, increased competition for resources, development of information network, changes of human resources character, appearance of new business possibilities due to the innovation technologies, free access to modern technologies, new needs and change in customers' positions.

It is obvious that the strategic management appears to a great extent not only as a reaction to the sharply increased environmental dynamics but as a possible search of compromises in taking multi-purpose decisions. At the same time, some of the companies do not attach great importance to the strategic aspect

of their development and do not give appropriate attention to the issues of strategic management. The following can be listed as the most important reasons for such position:

- The roles of the companies require complete information about the real position of their firms;
- Managers, acting as good teams, divide between themselves their stereotype views about the conditions of the external and internal environment of their enterprise and ignore any other negative information that is incompatible with their assessment;
- Past successes of the company deprive from having an objective estimation of the current status;
- Managers are not able to correctly assess the specific advantages of their companies and do not comprehend that they are the prerequisite for better results;
- Usually managers are preoccupied with solving current tasks;
- Managers regard any change in the direction of company development as an admission of mistakes made in their previous activities.

Contrary to the above-listed reasons, there are a number of factors that force management to regard the activity of their companies in strategic perspectives. The following can be added to these factors: considerable lowering of efficiency and activities of the companies, unexpected competitors' actions, necessity of new capital, taking over of other companies, a lot of conflicts within the origination, discontent among the customers. Besides, the appearance of a new member of the senior management team can become a reason for strategic reorganizations.

Strategic management is a sphere belonging to the senior management organizational activities – their main task is to identify the preferred tendencies and directions of development of the organization, establish the goals and allocate the resources, and all the rest that ensures the competitive advantage of the organization.

The strategic management is based on the following prerequisites: a vision of what the organization wishes to achieve in the future; basic sources of problems are outside the organization; the organization needs to have the modern possibilities for recognizing problems and the tools and mechanisms for their resolving:

- managerial reaction to hazards, and whenever such are a fact, the principle of “extinguishing of fire” should not be applied;

- the structure would rather focus on prevention or minimization of losses in case the latter are inevitable;
- the potential of the organisation shall be focused on the new opportunities and strategic tasks, setting objectives and timely competition in order to strengthen their positions on the market;
- current management shall continue and specify the strategic management and shall be implemented within the framework of the acting strategy.

In general, strategic management is an activity focused on choosing the sphere and work method for achieving long-term objectives of the organization in continuously changing conditions of the environment.

It follows from the analysis of the scientific literature that for the time being there is no unified definition of the term “strategic management”.

There are a number of definitions of the strategic management term which emphasize on different aspects and characteristics of this term.

The definition of the strategic management shall cover the following aspects:

- Strategic management – it is a type of managerial activity focused on implementation of chosen perspective goals through changes in the organisation;
- Strategic management – this is a process which implements the interaction of the organization with its environment;
- Strategic management – it is a field of science that studies the methods and the tools for making strategic decisions and the means for the practical application of that knowledge.

I. Ansoff gives the following definition of that term in his book “Strategic Management”: Strategic management activity is related to establishing the objectives and tasks of the organization by using a number of interrelations of the organization with its ambient environment which allows the organization to reach its goals which correspond to its internal possibilities and allows it to remain open-minded to the external requirements (Ansoff, 1979).

In his book “Strategic Management”, O.S. Vihanski explains his understanding of strategic management which is such a management of the organization that is based on human potential as a base of the organization, directs the pro It’s better for MNCs to hybridize their practices, bringing sustainable competitive advantage, strength and stability in the international network (Kobrin, 1991). Duction activity towards the customers’ requirements, which is flexible in its reactions and implements changes in the organization that correspond to the changes in the surroundings and allow to reach a competitive

advantage thus allowing the organization to establish itself in a long-term perspective by achieving its objectives (Vihanskii and Menedzhment, 2006).

In order to understand the nature of strategic management it needs to be pointed out that strategic management is a management in social and economic systems which can be specified by the following aspects:

- functional - regards management as an entity of types of activities focused on achieving specific results;
- process of consideration – management is regarded as activities dedicated for discovering and solving problems, i.e. as a process for preparation and making decisions;
- componential – management is regarded as activities for organizing interrelations with identified structural units.

The functional section is needed for comprehending the way the system functions, and what is the mechanism of setting and achieving objectives. The following issues are to be considered: types and essence of managerial activities, functional labour distribution, establishment of managerial bodies and their structure, potential conflicts, etc., the results of the organizational activities and their dependence on the internal and external environment.

Strategic management presumes that the achievement of the desired results is possible because of the types of managerial activities – for instance, concealment of studies and design divisions, establishment of independent development units, etc.

The *Process section* is required to understand how management is structured and how it functions. The following issues are to be considered here: management process levels, stages, their sequence, organization of work, losses, etc.

The componential section is necessary to identify the place and importance of each element of management, and to study the internal structure of the system. The following issues are to be considered at this stage: organization of workers' labour, management style, technical status, information system, human resource policy, etc.

The nature of strategic management is complex and versatile. Strategic management originated as a scientific trend in the middle of the XX century in reaction to objective reasons, now in XXI century, the strategic organizational managerial approach has become a basic concept of modern management.

For better grasping of the character of strategic management, a comparison between some factors and operational management follows in the table.

There are a number of principled differences between strategic management and operational management (Fig.1).

Characteristics	Operational Management	Strategic Management
Mission, purpose	Production of goods and services with the aim of receiving income in result of their implementation	Existence of organization in the long perspective through establishing a dynamic balance with its environment, allowing to solve the issues of the organizational activity stakeholders
Subject of consideration concepts focus	Focused on the internal organization, necessity to more efficient use of resources	Outward focus, needing new opportunities in the competitive struggle, adapting to changes in the environment
Consideration of the time factor	Oriented towards short-term and middle-term perspective	Oriented towards long-term perspective
Basis for development of management system	Functions and organizational structures, instructions and procedures, technical means and technology	Human resources, information assurance, market
Human resources management approach	Workforce is regarded as a resource of organization, responsible for performance of different activities and functions	Workforce is regarded as the base of the organization and its basic asset and source of success
Criteria for efficiency of management	Profit and rational use of production personnel	Modern and prompt reaction of organization to new requirements of the market and changes of environment

Source: Vihanskii, O.S. Strategicheskoe upravlenie (Strategic Management). M; Gardariki, 1998

As a whole, management is a process that is oriented towards achieving specific objectives. Strategic management is focused mainly towards maintaining sustainable development of the company in the long run. Therefore, making strategic decisions is related to considering alternatives in choosing business spheres and resource allocation, motivation systems, partners, etc.

Strategic management can now be called the art of management in XXI century, and the mastering of that art requires from the senior management profound knowledge and creative thinking (intuition). Incorrect strategic actions

can lead to many collective consequences as the wrong course of a plane or a ship can result in catastrophe (Bankova, 2019, p. 137).

The strategic approach to the organizational management is associated with maintenance of continuous balance of the strategic work areas status, availability of strategic resources and exerting strong influence on the organization of the strategic groups. Maintenance of such balance is ensured by making strategic decisions, both strategic and operational. Therefore, the manager needs to be aware of the fact that solving fleeting problems to the detriment of strategic ones can impair the long-term stability of the organization and weaken its competitive positions (Vasilev, Stefanova, Czerkezov, 2019, p. 15).

Mastering of system approach to the management of an organization is comprised of the following key elements of the strategic approach to management of a modern organization which cover the ability to: clear and thorough thinking, accepting theories and concepts for solving organizational problems; making difference between problems and symptoms of a situation; identifying reasons for certain situations; accepting models and management tools to stimulate individual, group and organizational initiative.

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