# About the Strategies – with Respect

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**Summary:** Though the category "strategy" is involved in numerous of examples, the conclusions of such involvement are two and leading in the opposite directions.

The existence of a true economic (and not only economic but every other type of) policy is impossible without the development of respective strategies. Unfortunately, whenever imitating an economic activity, it is always accompanied by the use of the term "strategy" not as an actual management activity but more as a verbal "crutch".

The diversity of opinions over the term "strategy" and the various practices lead to the strategy as a product of the management process, on one hand, with the strategic logic of company management, on the other hand and with the technology of strategy development.

**Key words:** strategy, strategic management, tactical management, perspective planning, corporative aim, gross gain, marketing aim, income from selling, functional aims, corporative strategy, marketing strategy.

**JEL:** M11.

The idea to express an opinion on strategies – the classical management problem – was born from the exceptional charge contained in the economic category "strategy". This is an evident fact; therefore, we would hardly come across an economic activity, which is not accompanied by the adjective strategic.

For example, we read and listen that the government has chosen the best strategy for the solution of the economic problems of the country, or that the strategic choice of the country for membership in the EU is the only alternative that could bring prosperity, etc.

If we move from the macro to the micro level, here again the adjective strategic decorates any type of economic action. We learn, for example, that strategic decisions that work for short- or long-term prospective are possible only on the basis of strategic analyses, or that the correctly chosen marketing strategy is the key for prosperity of the organization. Many authors advise that the performed actions and the obtained results must by all means be the target of strategic control.

When the management function of planning is identified, it comes out that the function includes goals, resources, actions, and the latter are expressed by the development of strategies and tactics. Another example with fundamental significance – strategic management, in particular strategic planning, is associated with the longer-term prospective of the organization, while tactical management and planning are associated with the short-term (annual) prospective.

The list of examples involving the category "strategy" is very long, but only two conclusions follow and they are opposite.

We acknowledge again that there is no real economic policy (and not only economic) without the development of adequate, working strategies. Unfortunately, however, the imitation of economic activity is always accompanied by the use of the category "strategy" as a verbal "crutch", and not as a real management action.

We will not get back to the roots of the category "strategy", but it is obligatory to quote the opinion of William King and David Cleland, who in their book "Strategic planning and economic policy" express an opinion, which we share. According to he mentioned authors, the strategy is "the general direction, in which one should look for the way to achieve goals".

The various definitions of the category "strategy" and the diversity of practices brings about a confusion between strategy as a "product" of the management process, on one hand, strategic logic of management of the organization, on the other and, finally, the technology for development of strategies.

The reasoning about strategies, maybe, should start with the clarification of the problem of the logic, even the philosophy of the process for the organization management.

Every organization, irrespectively of its scale and subject of activity, is an unique structural entity with a status of autonomous financial centre. In this quality, the organization receives income from the results of its activity and incurs costs in order to achieve these results. In this sense, the main task of the organization management is to balance the two in- and out- streams of income and costs. Here balancing both streams does not mean looking for a mechanical equity between income and costs. Income is an expression of a new quality state of the organizational unit, and costs are the expression of the efforts that have been input to change existing conditions, in which the organization arises, strengthens its position, and enjoys prosperity and/or declines.

The organization strives for quantitative and qualitative changes in its situation not for the sake of change itself. The change is subject to a goal, which confers meaning to all transformation processes undertaken by the organization.

Each change in the state of the organization, including the lack of change, takes place in a specific environment. There are many components to this environment, each of them with different characteristics. What the elements of business environment have in common, are the dynamic modifications they undergo.

There two types of changes in the status of business environment elements. The first type is not controlled by producers. The changes exert their effect on the elements of the environment, which are exogenous for the organization. Irrespectively of the economic capacity, there is no organization, which would be able to impose its will upon the behaviour of its customers and competitors. It cannot determine according to its own will processes in the natural environment, the demography, or the technological sphere. The organization can only assess the processes in these fields and make forecasts as a precondition of choice of actions in the future.

The second type of changes is related to the elements of the environment, which are endogenous for the organization. This means the material production conditions, staff numbers and structure, the organizational structure, the segments of the target markets of the organization, the logic and technology of the management process, etc. The organization has the capacities, but also the responsibility to transform these elements.

Under the condition that the above mentioned elements of the environment have the status of controlled factors, the question is: what should be the logic and the form of their change.

Above all, the transformation processes must be subject to a goal. If the management decisions and actions are not subject to any goal, they are just meaningless. The other important condition for efficient change of internal factors is coordination. It is objectively determined by the system "cohabitation" and action of the production factors.

Thus, each organization makes management decisions concerning specific actions, expected to be performed, in the conditions of the action of two determinants. One is the defined goals, and the other – the current conditions of the internal and external environment.

It is obvious that both determinants cannot shape with the same strength the set of actions of the organization. The reason is the specific information they carry in them and, therefore, the possibility of different directions of action and influence.

The goal is an expression of the desired future state of the organization, while the information about current conditions concerns what has been achieved and what kind of environment is currently characteristic for the organization.

If a starting point in making decisions about future actions are the already formed conditions, the goals of the organization will be their consequence. This management logic, known as tactical, is the logic of the unchanging status quo. The good base conditions and the favourable environment will always initiate high goals. Appetite comes with eating. And vice versa, if during past periods the organization registered unsatisfactory results, then the goals, to which future actions will be subject, the defined goals will be much more humble.

There are is arguments for this management logic. It is obvious that the goals of the organization based on the achieved results are easier to be accomplished. In this situation, the managers, who are hired workers, even with a slightly different status, based on their common sense, know that their interests would be protected if achieved goals are reported, even if these goals are not set at a too high level.

For classic hired workers, defending current interests and, consequently, achieving the defined goal irrespectively of its quantitative and qualitative characteristics, is even more important. In other words, the logic is: little by little, but in a secure way.

The tactical management logic is also based on the predominant practice to draw the prospective of the organization for no longer than one year. When the activity is organized only by annual plans, significant changes can hardly be expected. The time period is too short; the horizon is too limited for significant quantitative and qualitative changes in the parameters of the actions of the organization.

It is obvious that the tactical logic of management is "supported" also by the conditions, which are outside the management culture of owners and managers. The exogenous, objective conditions are the insufficiently developed market relations, the large scale of unsatisfied demand, the weak competition, the low level of development of the technical sphere.

The management logic, in which the decisions about which activities are to be undertaken by the organization are based on goals that are declared in advance, is diametrically opposite. Let's point out that the tactical logic is goal-related as well. Under this logic as well, the actions of the organization are based on goals defined in advance. The specific here is that the goals of the organization are dependent uniquely and only on the already achieved results.

The second type of management logic, which is strategic, does not link the goals of the organization with the achieved results. The principles of defining the goals are different as well as the point of support for this process.

The logic of defining the goals presupposes together with the formulation of the goals to declare not what we can achieve depending on the reported results, but what is our desired state of the organization in shorter or longer prospective, independently, even in contradiction with the registered results.

The strategic logic of management sets the goals in the role of an argument, and the conditions of production and sales, more precisely their quantitative and qualitative expression as a function.

If the planning process is presented as a trinity of goals, resources, and actions, the strategic management logic entails a different list of actions of the organization to adapt the resources to the goals declared in advance. There are more actions, which are also more radical. While for the tactical logic of management, the changes are at the level of modification and partial increase of resources, for the strategic logic of management, the changes are at the level of new resource types (technique, technologies, know-how, information systems) and considerable production conditions growth with a change in quality. Following from this is the significant difference between these two management logics in the scales and techniques of financing the transformation processes and in the choice of the sources of their financing.

A general conclusion is that the category "strategy" and, more precisely, the adjective "strategic" expresses one of the possible management logics of the organization.

Here it is necessary to insert the note in order to defend the existing management practices and, moreover, to attract the attention of readers to a situation, which needs some precision.

Frequently, in theoretical studies, and in documents developed for practical purposes we come upon conclusions that the strategic management of the organization is related to longer periods of time, while tactical management is characteristic for the management of the organization for one year.

In this way, corresponding pairs of notions – surprisingly opposed – are formed: strategic – prospective (longer than one year), on one hand, and tactical – short-term (one year), on the other.

The main reason for the strategic management logic to be identified with prospective management, and the tactical logic to be identified with annual (short-term) management is the necessary technological time for the transformation of existing resources into those are necessary to achieve defined goals.

The practical experience shows that in most cases when the goals, to which the activity of the organization is aligned, are developed without taking into consideration the state of resources, i.e. working according to strategic management logic, this requires more time for the necessary transformation processes.

On the opposite, tactical management logic makes possible for the available resource potential to be developed into a new state, quantitatively for the most part, within a one-year time. This scale of transformation of current resources is not only possible, but deliberately sought for by managers.

No matter if the goals are high or low, if they are the mechanical consequence of achieved results, there are no problems with the changes in the resource basis, but only those ensured by own sources, and if external financing is necessary, it is limited without threatening the financial stability of the organization.

Irrespectively of the many real-life examples, which provide grounds for strategic logic of management to be equaled to prospective management, and tactical logic to be equaled to short-term management, it is not possible to make a conclusion that this should be the rule.

The strategic logic of management is possible and necessary no matter if the management horizon is the forthcoming year, or it is longer than one year. The important thing is for the company management to be organized by the idea of defining a goal desired by the organization and, after the discrepancies between the existing and necessary production conditions are revealed, to define actions in order to overcome the discrepancies.

The link between management logic, on one hand, and the management horizon of the organization, on the other, can be realized in different versions.

The management of the organization in a tactical logic prospective can be shortly presented as follows. The results achieved during previous years are the starting point of the management process for the first year of the period. The organization assets represent a synthesis of these conditions. These conditions are the argument for the goals of the organization during the first year. Even minimal transformations in the course of this year are the basis for production during the second year and variable determining the production goals during the year. The described procedure is repeated for the third, fourth, and all the next years of the period.

As it can be seen from the described algorithm, the answer to the question about the duration of the period remains indefinite. Indeed, such a question is not raised as the problems of the organization are solved year per year. We do not see a goal, which relates to the chosen period as a whole. The actions of the organization are measured annually, without orientation towards the totality of annual prospectives.

The conclusion is that for the tactical management logic (from a formal and from a substantial point of view) there is no real prospective, and if such a prospective is introduced in a purely formal way, it would be a mechanical combination of annual results.

The strategic management logic, whose implementation requires in general a more extended time period, changes the regime of the relationships between the actions of the organization for each specific year and the decisions together with the actions for the period as a whole.

Each well managed organization subjects its actions to a prospective goal. It envisions the desired state for the period as a whole, irrespectively of its duration. For example, the organization wants to double its sales income in five years in comparison with the current year. Obviously, the prospective goal cannot be automatically reached using a magical wand and spells. The reason is the existing discrepancy between the currently available capacities of the organization, on one hand, and the capacities that are necessary to reach the production conditions declared as a goal.

The five-year horizon is not chosen by accident. As indicated above, it is determined in view of the necessary technological time for the transformation of the production conditions from existing into necessary.

In order for this to happen, i.e. to achieve the prospective goal on the basis of the changed production conditions, the first task of the management team is to decompose the prospective goal into short term goals for each year of the period.

On the basis of the mentioned above, several characteristics of short-term goals can be described. They are a derivative of the prospective goal of the organization. The short-term goals are like pointers in the work of the organization for the specific years of the period. Each short-term goal is a next step made over the years in order to achieve the prospective goal. The short-term goals are also an indicator for the successive changes in production conditions, bringing forward as a result quantitative and qualitative characteristics adapted to the prospective goal.

The commented management technology, which combines strategic logic with prospective management, is an expression of the objective function between the aggregate and its parts. Only if the aggregate is correctly distributed into components, it is possible to reach the general goal for the period, and completing short-term plans and achieving short-term goals is possible only when they are organized along a common idea set in the prospective goal.

As indicated above, the strategy may be considered also as a product of the management process. From this point of view, the strategy is an expression of the main course of actions in the organization.

As for any product, two questions arise with respect to strategy development. Why is the product, i.e. the strategy, created and how this specific product is to be developed.

The reason to work on strategies is the circumstance that the goals of the organization (corporate and functional) can be achieved only when following a different line of economic behaviour.

A generalized expression of the corporate goal are the revenues from sales of the organization. In many cases, the goal is expressed in terms of gross or net profit. In our opinion, revenues from sales are more appropriate for defining the corporate goal for the following reasons.

Profit is a part of the revenues from sales and, obviously, the activity of the organization can be better evaluated using the whole rather than its components.

If the activity of the organization is evaluated using the revenues from sales, i.e. to what extent the planned value of this indicator has been achieved as a pointer for the company management, researchers can analyze the ratio between the part of revenues, which is related to the current turnover the organization and the other part, which represents net financial result and, in this sense, is a precondition for its future activities.

For organizations, which adopt the marketing concept as a management philosophy, the needs of their customers are not only their reason of being, but also the main indicator for their activity. To what extent the needs of consumers in the selected segments are satisfied can be estimated from the proportion between the revenues from sales set in the plans of the organizations as a desired result and the actual revenues from sales . In this sense, the revenues from sales as an expression of the organization goal, demonstrate the direct link between producers and consumers.

A conclusion follows from the above that the corporate strategy should delineate the economic behaviour of producers, which can be used to achieve the best possible link between them and their customers in such a way that the needs of the latter are satisfied , and the goal of producers, i.e. the planned revenue from sales , is reached.

The revenues from sales of the organization are not an abstract quantity. They represent a real and synthetic indicator, whose absolute value and dynamics are an important source of information on the activity of the organization.

The revenues from sales are acquired by the organization under different combinations of market types and segments of each type of markets, on one hand, and working with different types of goods produced and/or sold by the organization and their modifications, on the other.

Therefore, the organization does not get revenue in general, but from the chosen types of markets and market segments it selects those, where the highest revenues are likely to be reached and it supplies types of products and their modifications, which correspond best to the needs of consumers.

The choice of combination between markets and produced goods by the organization as a corporate strategy is carried out in the following versions.

The producers do not change the markets they supply as to the type, number, and characteristics of the segments of each type of markets. There is no change in the types of products, nor their modifications. The growth of revenues from sales is recorded on the basis of purchases by consumers, who still do not know the offered products or are not convinced in the correctness of their choice.

A second version of the combination products – markets can be the following. Producers do not change the type of products or their modifications. This means no change is introduced in the scope of the product nomenclature (same types of products are being produced). There is no change in the length of the product lines, either (same modifications of the existing types of products are being produced). The changes take place in the markets where the organization sells its products. The organization looks for new market types or for new market segments of the existing markets types where the supply takes place currently.

In the third version of the combination products – markets, producers do not change the types of markets and market segments they have worked with until now, only the scope of the product nomenclature and/or the length of the product lines. The meaning is that producers introduce new types of products (new for them and/or for customers) or that a modification of the existing types of products is introduced that is new for the market. As a reminder, the development and launching of a new type of products and the supply of a new modification are two different tasks. This act is related directly to the problem of the ratio between the scope of product nomenclature and the length of product lines.

The fourth version entails total change. The target for change, i.e. the new elements, consists in the types of markets and/or market segments, as well as the types of products and/or their modifications.

The corporate strategy can be realized also by way of ensuring the achievement of the corporate goal under the condition that it is decomposed into functional strategies, i.e. into strategies for the different functions: marketing, finance, staff, management of activities, etc.

The decomposition of the corporate strategy into functional strategies is possible and necessary because each function is an element of the organization system. In this case, we consider the organization not as an abstract legal unit but as a system formation, where the components are different functions.

The functional strategies are equal in status as all organizational functions are.

For organizations, which have adopted the marketing concept as a management philosophy, however, the marketing strategy is the nucleolus, the point of support, upon which and around which the total construction of functional strategies takes place.

At least two conclusions follow from this circumstance. The first concerns the logic and technology of development of the corporate goal. As mentioned above, the main goal of each organization is not to rip profits in principle, but to do it by satisfying the needs of customers. On the second place, practice requires more and more frequently to identify corporate strategy with the general marketing strategy. Therefore, the marketing strategy is accepted as corporate strategy. In this way, the significance of the marketing concept for the activity of the organization and the role of marketing as a base function are revealed.

The third aspect of reasoning about the category “strategy” concerns the technology of its development. As it has been already mentioned, the corporate and functional strategies are meaningful only if the work on them is based on already defined corporate and functional goals.

It is a fact, however, that goals that are best defended and strategies that are most correctly selected will remain nothing more than good wishes if the strategies for the different functions are not "developed" into specific programs. Programs breathe life into the selected strategies because they are the most operational element in the management process and, in particular, of planning.

The programs have the advantage of including all activities, which lead to the transformation of the existing conditions into necessary ones.

The programs have the advantage of containing the calculations of the necessary resources in service of the information processes.

The programs have the advantage of including the calculations of financial resources intended to support actions included in the programs. In other words, the programs are the base calculation and report documents for the organization budget.

The realization of the shortly presented technology of strategies development, i.e. building the trinity of goals, strategies, programs, has special significance for the management of the organization.

Above all, observing the above mentioned trinity and its practical implementation "disciplines" the management process. Managers know, or must know that the effect from the activity of the organization will be present only when this activity is subject in advance to a set of goals (corporate and functional). They also understand that goals need the support of clear strategies, which draw the main direction of economic behaviour of the organization as a whole, and for the different business functions. Finally, only on the basis of programs developed in details can pragmatism be introduced in the actions of the organization as a whole and of its staff as the program indicates what is to be done, who shall do it, what is the time period, what are the resources and how the specific activities will be financed.

The reflections shared above on the essence of strategies are not the result of pedantry as an end in itself. The author is persuaded that it is as important to discuss strategies that are most appropriate for each specific situation as to consider the question what a strategy of the organization is. It is obvious that we can do something successfully only if we know what is that we are supposed to do. ИА