

SEARCH FOR GROWTH AND DEVELOPMENT IN FIRMS: STRATEGIC MANAGEMENT

Doç.Dr. Şadi Can Saruhan*

In the long run, only firms which have open strategies and can turn them into operative activities, in other words those which put them into practice, will be able to improve, develop and grow. Strategy is a frame within decisions about the direction and nature of the firm are taken; it is an answer to what and why the firm wants to be in the future. And turning the strategies into operative activities is the answer to how the firm wants to shape up.

Strategy is composed of four parts (1):

(1) **Product / Market combination:** It is process of determining the market and products for the firm to compete.

(2) **Determination of resources, methods and technology the firm will have:** These factors enable the firm to differ from its rivals and reach the planned position.

(3) **Distributing the resources:** To different divisions of the firm in order to have an edge on its rivals.

(4) **Determination of standarts and financial criterions:** Which enables the standarts to be applied, and expected aims and results to be measured.

Organic integrity of the aims, strategies and working programs explains the strategy; in other words, strategic planning is a process in which the long term aims of the firm, and necessary resources, means and methods for reaching these aims are determined carrying out the strategies and bringing them to a conclusion is the task of the strategic management (2).

Strategic planning process begins with environmental analysis; for the most important function of the strategic plan is to accommodate the firm to its environment. Environmental analysis must be taken up in two ways: First analysis of different geographical and the natural conditions, socio-cultural and legal-political structures that international competition requires, and secondly analysis of the sector in which the firm acts or wants to act. In consequence of this analysis, the firm will determine its position in the mentioned environment (3).

* Associate Professor of Management Sciences, Marmara University, Istanbul.

STRATEGY OF THE WORKING UNITS OF THE FIRM

Strategic working units are relatively independent

Characteristics of working units of the firm may be summarized as follows (4):

(1) **Market function:** This explains products and service offered to specific customer groups by the working unit based on some certain technological characteristics.

(2) **Competition advantages:** These are means of the working unit employs to achieve market function better than its rivals (for example, well-trained personnel, convenient service-price correlation, after sales service to the customers and sound industrial relations).

(3) **Main steps and timing:** It is necessary to bring the working unit to a desired and aimed position.

(4) **Expected results** (market share, price, cost, financial criterions etc.): This is to measure steps and development during the realization of the strategies.

Strategic Working Unit (SWU) has two basic characteristics (5):

(1) **Autonomy of the SWU:** For example, if a SWU at production step faces defect, malfunction because of transferring raw materials and/or by-product to another division, it loses its characteristic. And working at bench goes wrong because of any other work the SWU loses its characteristic again. If a manager of the SWU may be transferred to another division and the SWU is affected from this, the SWU loses its autonomy.

(2) **The SWU fullfills extern-market function by itself.** Four elements mentioned above enlighten this characteristic.

DEVELOPING A STRATEGY FOR THE SWU

When we want to develop a strategy for the SWU, we need to take the present situation of the SWU, aimed market position and required relative competition advantages into consideration. Another important point is that how quick the desired changes can be made with scarce resources of the firm. If we made plans too early with too much resources for bringing the SWU to a desired position without inquiring about the rivals and determining advantages and disadvantages, then we would use up resources, and our competition strength would weaken. On the other hand if we made decisions belatedly without allocating enough resources to put the decisions into effect, then we would remain behind our rivals (6).

New methods are the main steps to turn strategic ideas into tangible operations. And for the success of a strategy, mentioned steps must be taken right on time. Strategy just makes sense when the expected targets and aims are reached; that is why these are the things that must be done (7):

- Selecting the criterions to evaluate the strategies,
- Explaining the results which are expected from the strategy with the help of these criterions,
- Determining if the firm reached its minimum targets.

We can range criterions to evaluate the strategies as follows (8): Profitableness, cash - flow, productivity, creating resources, return on investment, cash circulation, market share, etc... It is possible to increase the criterions. Criterions vary with the firm being industrial or commercial. It is essential to reach a conclusion considering all criterions together. For example, cash - circulation is swifter at commercial firms than industrial firms. But how much of the money is supplied from the own resources of the firm? In this situation, we need the rate between credit and money used. Also it is important to know how much of it short-term debt and how much of it long - term debt; for interest rate of the short - term credit is fairly high, so it causes a considerable financial expenditure. With this, profit is affected negatively. At this point, the rates between short - term debts / total credit and long - term debts / total credit are needed.

Every strategy must be formulated in an operational way. That is, a strategy is supposed to show what product and / or service must be produced, which markets are to be directed towards market shares, the timing of sales and profit. If we think in economic way, then strategy needs income and expenditure as criterions; if employment must be explanatory. Expected aims are essential to evaluate, the strategy (9).

It is possible to make a decision about the strategy after selecting the criterions and defining the expected aims in the light of these criterions. Decision made is about applicability of the strategy and realization degree.

- Judgement of the firm,
- Expectation of the employees, customers, related industries, partners will determine what realization degree is acceptable for the firm.

CONCLUSION

Strategic management appears to have developed with the birth of "marketing" as a concept separate from the supportive services that originally were grouped together under that term. Today, all functional areas are considered amenable to strategic management. There are strategies for manufacturing, for employee relations, and even strategies for research and development. Since strategies determine what will be done in a business, those who are capable of devising good strategies have an advantage over their competition for top level management positions.

REFERENCES

- AHMET, Esin, *İşletme Politikasına Giriş*, I.Ü. İktisat Fakültesi, İstanbul, 1984.
- ANSOFF, Igor H, *Corporate Strategy* Penguin Books, Middlesex, 1979.
- DRUCKER, Peter F., *The Frontiers of Management*, Truman Talley Books, New York, 1986.
- EREN, Erol, *İşletmelerde Stratejik Planlama (Teknikler ve Uygulamalar)*, I.Ü. İşletme Fakültesi Yayını, İstanbul, 1979.
- HATIBOĞLU, Zeyyat, *İşletmelerde Stratejik Yönetim*, Temel Araştırma A.Ş. Yayınları İşletme Yönetimi İhtisas Dizisi, İstanbul, 1986.
- HOLDSWORTH, Trevor, "Strategy and Policy Planning", *How to Manage*, Ed. by Ray WILD, Pan Books Ltd., London, 1983.
- JOHNSTON, Russel H., "The Process Perspective on Management" *Making Organisations Humane and Productive: A Handbook for Practitioners*, Ed. by H. MELTZER and Walter R. NORD, John Wiley and Sons, New York, 1981.
- KÖKTÜRK, Mehtap Sümersan, *Stratejik İşletme Yönetimine Girişte Birkaç Kavram*, Kendi Yayını (Erler Matbaası), İstanbul, 1980.
- LUFFMAN, George, SANDERSON, Stuart, LEA, Edward, KENNY, Brian, *Business Policy: An Analytical Introduction*, Basil Blackwell Inc., New York, 1987.
- OLDCORN, Roger, *Management: A Fresh Approach*, Pan Breakthrough Books, London, 1982.
- ÖZALP, İnan, "İşletmelerde Stratejik Planlama", *Anadolu Üniversitesi İkt. ve İd. Bil. Fak. Dergisi*, Vol. 6, No. 1, Eskişehir, 1988.

FOOTNOTES

1. Trevor HOLDSWORTH, "Strategy and Policy Planning", *How to Manage?*, Ed. by Ray WILD, Pan Books Ltd., London, 1983, pp. 107-108.
2. Igor H. ANSOFF, *Corporate Strategy*, Penguin Books, Middlesex, 1979, p. 47; H. Russell JOHNSTON, "The Process Perspective On Management", *Making Organisations Humane and Productive: A Handbook for Practitioners*, Ed. by H. MELTZER and Walter R. NORD, John Wiley and Sons, New York, 1981, p. 182.
3. More information on environmental analysis is to be found in Roger OLDCORN, *Management: A Fresh Approach*, Pan Breakthrough Books, London, 1982, pp. 74-92; Esin AHMET, *İşletme Politikasına Giriş*, I.Ü. İktisat Fakültesi Yayını, İstanbul, 1984, pp. 32-43.
4. George LUFFMAN, Stuart SANDERSON, Edward LEA, Brian KENNY, *Business Policy: An Analytical Introduction*, Basil Blackwell Inc., New York, 1987, pp. 37-38.
5. Zeyyat HATIBOĞLU, *İşletmelerde Stratejik Yönetim*, Temel Araştırma A.Ş. Yayınları İşletme Yönetimi İhtisas Dizisi, İstanbul, 1986, pp. 49-50.
6. Mehtap Sümersan KÖKTÜRK, *Stratejik İşletme Yönetimine Girişte Birkaç Kavram*,

Kendi Yayını (Erler Matbaası), İstanbul, 1980, pp. 9-10.

7. Peter F. DRUCKER, *The Frontiers of Management*, Truman Talley Books, New York, 1986, p. 191.
8. More information on criterions to evaluate the strategies is to be found in Erol EREN, *İşletmelerde Stratejik Planlama (Teknikler ve Uygulamalar)*, İ.Ü. İşletme Fakültesi Yayını, İstanbul, 1979, pp. 92-118; AHMET, pp. 31-37.
9. Nevertheless, some of the key components of strategic thinking have been identified and managers can develop skills in their use. For instance, good strategies are directed at the attainment of clearly identified goals. This may seem oversimplified, but it is no.. Many companies and their executives include tactics in their planning that have no identifiable bearing upon the goals that they are trying to achieve. Rather, these activities are directed at emotional goals that are quite different from the rational goals that have been set. Inan ÖZALP, "İşletmelerde Stratejik Planlama" *Anadolu Üniversitesi İkt. ve İda. Bil. Fak. Dergisi*, Vol. 6, Num. 1, Eskişehir, 1988, pp. 38-39.