

Business Strategies for SMEs and Larger Companies

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Abstract: The aim of the article is to present changes with regard to strategy formulations as noted in recent years. As late as in the 1970s, it seemed that a good plan and strategy were a question of knowledge, manager motivation, and the professional support of consultants. Nowadays, when the environment has become turbulent and unpredictable, the traditional understanding of a strategy is no longer valid. Recently, changes have become instantaneous, competition fiercer, fuelled by large international corporations conquering new markets, diminishing barriers in international trade, and technological developments. On the basis of literature research relating to the current trends in developing strategies a business model is proposed as an alternative to currently employed strategies. In the last part of the article subject of creativity and innovation in strategy construction is raised. The main conclusion of research comes down to the statement that dynamics and the turbulence of the organization's environment trigger the outdated of certain strategies. The companies which fail to note the significant changes in their environment and the resultant threats and opportunities, may be targeted by their more agile competitors.

Keywords: strategy, change, turbulence, competition

Introduction

As late as in the 1970s, it seemed that a good plan and strategy were all a question of knowledge, manager motivation, and the professional support of consultants. Nowadays, when the environment has become more turbulent and unpredictable, the traditional understanding of a strategy is no longer valid. Recently, changes have become more and more rapid, competition has been growing, fuelled by - amongst others - large international corporations

conquering new markets, diminishing barriers in international trade, and technological developments.

As a result, at the present time a number of companies tend to appoint a member of the board responsible for their corporate strategy. The professionalization of this subject area, with its roots in the 1980s, shifted the position of strategy formulation from the domain of chief executive to a major corporate function. In accordance with the report by McKinsey's employees, the process prompted the creation of new positions within companies, starting with heads of strategy, through strategic-planning directors, up to the relatively new function of a chief strategy officer (CSO). Today's unpredictable business environment is completely incompatible with what historically has been one of the main responsibilities of company strategists, i.e. the conduct of the annual process of strategic planning. The weaknesses of traditional strategic planning, featuring solely deliverables and meetings according to a rigid schedule, have been amplified by the crucial benefit of the novel strategic approach, i.e. the importance of flexibility of actions in a rapidly changing environment (Martin, 2014; Mintzberg, 1987).

Literature review

In January 2011, McKinsey conducted a survey of 2135 senior executives, asking the following question: Have you tested your strategy lately? Only 35 percent of respondents had developed a strategy which passed 3 out of 10 tests developed by McKinsey's employees. The tests aimed at verifying whether a strategy created by a given company could beat other competitive strategies. Many of the survey participants blamed the ineffectiveness of the annual planning process for the present state of a corporate strategy. Moreover, the process of traditional strategic planning was seen to have proved inefficient when it comes to absorbing the shock and disturbances that may strike a given market. When it came to stimulating contemporary discussions concerning corporate problems, which should occur frequently among senior management, corporate strategy performed badly also. According to the survey managers, effective organizations seem to transform strategy development into current ad hoc discussions on the part of members of the board pertaining to budgetary matters, and this obtains for regular meetings held throughout the year. Some organizations implemented an even more extensive democratic process of company strategy construction in the

form of various company blogs, videoconferencing, etc. or video games devoted to the subject (Birshan, 2014).

Company strategists have responded to the above specified challenges of the contemporary world with an increase in the scope and complexity of their roles within enterprises, which go beyond traditional planning. In general, many contemporary enterprises, have chosen to move away from standard thinking and to focus on creative-thinking strategies instead. This involves significantly less time being devoted to the process of planning and the involvement of broad groups, both internally and externally, so as to create a corporate strategy. In other words, this means going beyond the traditional ways of operation.

The most important of the said changes which result in the abandoning of a defunct strategic approach can be depicted as follows (Elkin, 2010, p. 25-26):

- relatively static economies → changeable, unstable economies
- durable products → short life cycle products
- constant customer's needs → growing customer's needs
- market-focus → segment-focus
- national (regional) markets → global markets
- technology ownership → free access to technology
- war of positions (strength) → war of actions (shrewdness)
- gaining market share → gaining segment dominance
- defensive → offensive
- reputation and strength → competencies and fast response
- "chess" strategy → "interactive video game" strategy.

In modern-day economies, the strategy management is impacted by fast-track technological and organizational changes, the shortening of product's life cycle, ongoing release of new products on the market, focusing on key company skills (auxiliary process outsourcing, which leads to a reduction of employment and an increase in company goodwill and turnover), aiming at company operation cost reduction, cooperation (to some extent) of the companies in the same industry, i.e. competitive companies. Technique and technology are evolving in a revolutionary manner, markedly faster than the processes, methods, and abilities of their application.

The dynamics and turbulence of the organization's environment mean that certain strategies have become outdated. The companies which fail to note the significant changes in their environment and the resultant threats and

opportunities may be targeted by their more agile competitors. Skilful observation of the reality in which contemporary enterprises happen to operate, and drawing proper conclusions therefrom, may lead to a decision about either modifying or entirely changing the company strategy (Wolczek, 2014, p. 1).

If the management decides to function in accordance with a strategy which proves ill-suited to the conditions of the surrounding environment and which does not correspond to the organization's potential, negative consequences will ensue. However, if a given organization decides to modify the strategy, it demonstrates the fact that the management is aware of the fact that following old patterns is no longer effective. Hence, efforts should be made to "renew" the organization. In other words, the company should reorient its methods of market operation. What should be taken into account are the current trends in strategic management.

According to Krzysztof Obloj, the strategy which has had a substantial impact on business conduct over the last decade is company management oriented at increasing company value. Recently, the strategies associated with the maximization of company value in the context of shareholders (owners) have become highly popular around the world. Investors expect a more than average total return on capital investments, dividends; and true and reliable information regarding business conditions and perspectives.

The last sentence is based on the theoretical statement that the objective of every business activity is to increase its value. It is an underlying measure of market success. The analysis of a number of companies clearly shows that the most important position in the hierarchy of factors determining market achievements is occupied by the strategy. It is built on philosophical and cultural foundations via responsible persons. Equally crucial is also the implementation potential recognised in proper systems and structures (Kruger, 1989, p. 32). Here, it ought to be pointed out that the majority of the winners of the German Marketing Award thinks that in order to win, the following must be taken into consideration:

- philosophical aspect - the new way of thinking about the company, the customer and his/her needs,
- behavioural aspect - behaviours, expectations, feelings and emotions of the stakeholders,
- informational aspect - basing all decisions on reliable information,
- segmentation aspect - offers suited to individual customer groups,

- action aspect - integration and synchronization of marketing instruments,
- coordination aspect - streamlining the time and place, flexibility,
- social aspect - accounting for social and environmental aspects (Erichson, 1990).

All laureates of this award admitted that they used strategic marketing plans comprising precise targets as their map and compass. Similarly to the process of production, where the most expensive and difficult to correct are mistakes made at the design stage, in marketing the most costly mistakes are those involving a crisis of identity and the moving away from the adopted strategy (Bacior, 2015). One may select a rational marketing strategy increasing company value with the application of a matrix proposed by H.I. Ansoff (Ansoff, 1957), which is a group of strategies based on product-market relations (understood as a group of current and potential buyers of a given product).

According to Andrzej Szablewski (2008), the majority of works developing research regarding the strategy of company values management focuses on the financial sources and factors of company value growth. Even though the financial position is crucial, over the past few years many new research streams have emerged which have broadened and extend knowledge about the subject. Above all, it is worth noting the importance of four tendencies:

- the formulation of a corporate development strategy requires the application of a strategic balanced scorecard (Kaplan, 2001), i.e. looking at company's future from four equal perspectives: financial, customer, internal processes, and organizational learning;
- among the sources of company value, the focus is repositioned from financial to marketing and intangible generators, related mainly to intellectual capital (Kasiewicz, 2006) and customers' capital (Dobiegała-Korona, 2006);
- the condition to enjoy market success and multiply company value is to take notice of the essential ethical norms, which are honesty, good will, partnership, and openness (Welch, 2005); for these are the basis for the generation of social trust in a company, and trust has become a more significant element of company strategy;
- under the conditions of globalization, the question of corporate social responsibility and philanthropy gains a new meaning, especially

in the context of long-term improvement of competitiveness and goodwill increase (Szablewski, 2008).

Results and discussion

The challenges of strategic planning in the modern-day world have led to a breakthrough in the theory of strategic management. According to it, and in line with the book by Maria Romanowska published in 2017 and entitled: „Planowanie strategiczne w przedsiębiorstwie” (“Corporate Strategic Planning”), in recent times, the idea of substituting the strategy of development with a business model has emerged. Here, it should be highlighted that the term business model is more extensive than the term strategy. This business model specifies the method of functioning in a given branch and does not take into account crucial developmental decisions involving the entering of new geographic markets and industry diversification. The approach which releases managers of the duty to perform an orderly, system and systematic prognosis and plan of the whole business and replacing it with a less ambitious task of developing an effective profit model is highly attractive to managers, frequently lost in the rapidly changing world. The business model is also referred to as the model of activity (operation) which is defined as the “total of everything the company does to gain profit”. The business model comprises all strategic choices as well as operational management and its support in auxiliary functions - the shaping of organizational structures, HR policy, information flow, always performed in relation to a new offer for a given client. (Romanowska, 2017).

All good business models in a large, diversified corporation will never replace a strategy of development, even an imperfect one, for the latter covers the whole corporation. In line with this opinion, G. Hamel and L. Välikangas draw our attention to the fact that the ability to create new business models offering repetitive market and financial success is the matter of a strategic regeneration capacity, which involves much more than the business model on its own. The term business model was used for the first time to describe the mode of operation of Microsoft on the software market. The business model notion was introduced into literature in the year 1997 by the authors of the concept of value migration - A.J. Slyvotzky, D.J. Morrison and B. Andelman.

However, models tend to become obsolete as the macro-environment and companies change. One interesting example is that of the budget airlines

Ryanair. When Michael O'Leary became the company director in the year 1994, he declared that the company would not be able to compete with larger air carriers if it did not come up with a new idea of generating revenue. Copying and enhancing the solutions already used by the American Southwest Airlines, he developed a perfect model of budget airlines, which resulted in the cheapest plane tickets being offered in the industry. The business model remained attractive for nearly 20 years, until the time when many competitors applied the same business model and other airlines lowered their prices.

Creativity and innovation ought to be of primary importance in strategy construction for management boards. These are present-day targets that the majority of organizations wishes to meet. Innovation has risen to the position of the basic idea of strategists. At the same time, it has become a guarantor of market success (Nowicka-Skowron, 2009). The landscape of the competition within which business entities operate nowadays often forces them to come up with unconventional, original products/services, or organizational solutions (Nowodziński, 2013). Creativity and innovation are a driving force behind civilizational progress, using the ability to harnessing as they do creativity in organizations. The potential of contemporary organizations grows as far as their effectiveness and competitive edge are concerned.

Contemporary global economies based on knowledge and information are oriented towards development of innovative technologies. Therefore, there is a need to develop, implement, and then perfect the technological strategy. These are the challenges not only for production establishments but also for services companies; and this is because innovations are the key strategic assets. Given the expectations of today's customers, products and services should be manufactured by qualified employees, developed on the basis of modern technologies and materials, and be competitive on a global scale. Today, customers are highly demanding, has quick access to information, and strives to improve his/her quality of life. As a consequence, enterprises need to meet an increasing number of challenges, and offer products and services which have the greatest added value. Research (data composed on the basis of the research conducted by The United Nations Industrial Development Organization and The International Centre for Science and High Technology) shows that companies which follow a concentrated and cohesive strategy in terms of innovation stand a much bigger chance of gaining and maintaining

a competitive advantage. Those, in turn, which lack a strategy, may achieve a transient success, as they will not be able to enjoy it for longer periods.

According to Porter, the technology strategy involves orienting company operations towards the development and application of new technologies (Porter, 1985). Dodgson, on the other hand, sees the technology strategy as “(...) an understanding within a firm - amongst senior management, but diffused throughout the organization - of the importance and potential of technology for its competitive position, how in the future that potential is to be realized, and how this complements other aspects of strategy: growth, finance, marketing, personnel, etc” (1989). Both definitions have some common features which allow us to conclude that the technology strategy is a multi-aspect collection of actions and intentions oriented towards the analysis, implementation, monitoring and improving technology, with a view to attaining key technological competencies by an organization in order to gain competitive advantage. For the technological strategy to be effective, it must be compatible with the corporate business strategy.

In addition to the idea of innovation, immanently related to technology, another factor of essential significance to a company is creativity, particularly the kind of creative attitude/and thinking which produces such cognitive processes that generate new ideas, concepts or associations concerning relations between the existent ideas and concepts. Therefore, translating this creativity context into the language of an enterprise gives rise to original products, services and processes. Thus, creative organizations are those which can see a gap in the market faster than the competition may by adopting new technical or organizational solutions.. In order to avoid strategic convergence, creativity within organizations is becoming a highly valued competency (Pabian, 2010). For present day organizations, hyper-competitive and sensitive markets, strategy must incorporate creativity, inventiveness, and non-standard, out-of-the-box solutions. Thus, the art of strategy is an integral element of every enterprise. Today, executives must apply more than the management methods and techniques which are already known. Newly funded strategies are mainly based on creativity, an awareness of the vision of development, and respect for unconventional solutions (Nowodziński, 2013).

Conclusions

What has been presented allows us to state that today's strategy formulation is related to the evolution in the understanding of the complexity of our environment. In view of the observation of the world of contemporary organizations, their participants have no ability to foresee the exact consequences or to assess the risk of their undertakings (despite a continuously growing technology and infrastructure apparatus, i.e. IT and communication). Due to the above, the rationality of the process is limited (Simon, 1991).