HISTORICAL REVIEW OF STRATEGY AND STRATEGIC BUSINESS MANAGEMENT

Assoc. Prof. Elitsa PETROVA, PhD[1]

Abstract: *In the global context, the strategy is the art and science for development and use of political, economic, socio-psychological and information resources to create effects that protect national and international interests in cooperation between all stakeholders - governments, businesses, and society. At national level, it is a set of specific instruments of power to achieve the political goals of the state. The article is aimed at producing a historical overview of the concept of strategy and strategic management of the business.*
Keywords: strategy, strategic management, business
JEL Classification: M190

1. Introduction

In the global context, the strategy is the art and science for development and use of political, economic, socio-psychological and information resources to create effects that protect national and international interests in cooperation between all stakeholders - governments, businesses, and society. At national level, it is a set of specific instruments of power to achieve the political goals of the state.

At organizational level, the strategy provides the establishment of a coherent plan to bridge the gap between the realities of today and the desired future, to represent disciplined construction of common objectives and to create more favorable future results than could exist in the organizational development.

In general terms, the main purpose of strategic management may be defined as those decisions that will lead to an increase in the value of the

[1] National Military University, Bulgaria, Veliko Tarnovo, elitsasd@abv.bg

company, taking into account the interests of all stakeholders, which is achieved by using different mechanisms for creating competitive advantage that will ensure the realization of economic benefits not available to other companies in the industry.

2. Concept of "management"

Management is every human activity aimed at facilitating the achievement of positive results of an organization. In all its forms, it suggests bringing together people and rallying them to achieve common goals and objectives effectively and efficiently.

The verb manage is etymologically connected with the Italian language, in which there is a concept of "maneggiare", meaning "to hold", which in turn derives from the Latin word "manus" - "hand". In the 17th and 18th century French word "mesnagement" (later "ménagement") affect the English word "management", to gain the meaning known to us today (Oxford University Press, 2013).

According to the most popular definitions of management, it is the organization and coordination of the entity in accordance with specific policies to achieve clearly defined objectives and a set of authority and responsibility to make decisions about organizational activities. As a scientific discipline and practice management is the process of planning, forecasting, organizing, directing, coordinating, controlling and regulating all components and resources of the organization.

According to Peter Drucker management is a special kind of activity that can turn disorganized crowd into an effective and productive group.

Generally, management is a process of influence by the managers on managed people in order to achieve pre-set goals, and thus to coordinate joint activities of people. In particular, it is a conscious impact of managing entity (human) to the managed object (people, resources, environment, etc.) in conjunction with the guidance and coordination of the processes in order to achieve the objectives (predicted, planned) results as soon as possible, with the least undesirable deviations and with minimal resources. (Penchev, P., 2002).

Modern management incorporates numerous functional areas. Traditionally, it is considered that these are management of material resources, management of human resources and management of financial resources. Without claiming their comprehensive examination are added some of them relating to the functioning of the business organization.

Brand management represents the application of marketing techniques to a specific product or product line with the aim of promoting consumption.

Business process management is a holistic management approach, focusing attention on the synchronization of all aspects of an organization with the wants and needs of customers.

Change management is a structured approach for making change in individuals, groups and organizations and leading them from their current state to a desired future state.

Customer Relationship Management is a widespread approach to sales management. Its main goals are to find, attract, win and retain new customers and to attract back customers that the organization has lost due to various reasons.

Information management aims at organizing, retrieving, acquiring and maintaining databases with necessary for organizations value information.

Knowledge management consists of a set of strategies and practices used in an organization to identify, create, represent, distribute and adopt new knowledge, ideas and experience.

Project management includes planning, organizing, securing and managing resources to contribute to the successful completion of the general and specific objectives of the project, with limitations in scope, time and budget.

Quality management In economically developed countries, customers choose products that meet high quality standards. Therefore, all businesses strive to meet international standards for quality products and services that offer.

Time management is a process of planning and exercising conscious control over time spent in specific activities, used for the implementation of specific tasks, projects and goals within a specified period, in order to increase the effectiveness, efficiency or productivity of labour.

Risk management can be defined as an identification, evaluation and ranking risks according to their priority, followed by a coordinated activity on the application of economic tools and approaches to minimize the likelihood of the occurrence of events for dysfunctional organization impacts and to maximize opportunities for the occurrence of events with functional consequences (ISO / DIS 31000, 2009).

Perception Management is a type of formally or informally providing information to influence the emotions, motives and follow-up behavior of individuals in a way that is favorable for the author of the information. Its main purpose is to provoke the other side to engage in behaviors and actions as are desired by the author of the information, ie there is the design of this "truth" as is desirable and necessary for one's goals (USA Department of Defense, 2003). The business use perception management to get the desired behavior by users, to model the behavior of trading partners, and to receive profits from interested institutions and organizations.

3. Strategy and Strategic Management

The word "strategy" comes from the Greek word "στρατηγία" ("strategia"), which means "headquarter, command, military art", which derives from "στρατηγός" ("strategists") translates as a leader or commander of the army and the combination between "στρατός" ("stratos") - "army, host" and "γός" ("agos") - "head, chief", derived in turn from "γω" ("ago"), "will, lead, leader". The word was firstly used in German as "strategie" in 1777, soon after in French as "stratégie" and for the first time in English in 1810 as "strategy (Nag, R., Hambrick, C., 2007).

Initially, the strategy is defined as the science and art of placement of troops in war. How we should lead a battle is a matter of tactics, and whether to start it is a matter of strategy. In the field of martial arts Russian school talk about "strategy", "operational art" and "tactics" while the Western school for a "strategy" and "tactics", the actions highlighted in the Russian school as "operational" in the Western school are defined as "small strategies."

The term "strategy" and its perception changes with change and complexity of the business environment. There are different definitions for the term. The organizational strategy can be defined as:

1) a method for establishing long-term goals of the organization and programming of its activities in priority areas, proportionately to resources;

2) a plan to determine the long-term basic tasks of the organization, the adoption of courses of action, and ensure allocation of resources necessary for the implementation of the objectives;

3) a rate that the organization chooses pursuing goals and taking into account the opportunities and threats of the external environment, as well as with its own capabilities and potential.

At the beginning of 21st century, strategic management summarizes all these definitions and directs priority insight into the strategy as a tool for the economic and non-economic key for competitive advantages of the organization, bound by the organizational philosophy and culture.

The well-known founders of strategic management are Alfred D. Chandler, Philip Selznick, Igor Ansof and Peter Drucker.

In 1957, Philip Selznick introduced the idea of combining internal organizational factors with the external ambient conditions. (Selznick, Ph., 1957) This idea lies at the heart of what is known as SWOT analysis.

Alfred Chandler recognized the importance of coordinating the various aspects of management. In his work "Strategy and Structure", published in 1962, he pointed that long-term strategies needed to be coordinated, giving the business unit structure, direction and focus (Chandler, Alfred, 1962).

Igor Ansof built on the work of Chandler by inventing a comprehensive conceptual apparatus of the science "Strategic Management". He developed the strategies for product development, market development strategies, strategies of horizontal and vertical integration, and a strategy of diversification (Ansoff, Igor, 1965). In 1965, he laid the foundations of the "Gap" analysis that was used to establish the difference between where the organization currently was and where it wanted to be in its development.

Peter Drucker is the author of many works for management of organizations, but his major contribution to the strategic management emerged in two directions. Firstly, he stressed the importance of the objectives set by the business. According to him, an organization without clear objectives is "like a ship without a rudder." Already in 1954 he developed a theory based on management by objectives (MBO) (Drucker, P., 1954). His other major contribution in this area is in prediction the importance of what today we call intellectual capital. The operating activities should be carried out in teams of knowledgeable and capable people who must be led by an expert in the field.

One of the most important concepts in strategic management is so-called “portfolio theory” developed by Harry Markowitz and other financial theorists. It argues that the wide range of held assets can reduce specific risk facing the organization.

Perhaps the most influential strategist is Michael Porter. He found many new concepts, including analysis of 5 forces, value chain, the terms "strategic group", "cluster" and others. According to him, the business unit will be successful only to the extent to which it contributes to add value in a sector. His conclusions force leaders to look at their actions through the mind of the user.

In 1970, Alvin Toffler showed that social and technological standards are getting shorter lifespan for each succeeding generation and calls into question the ability of society to cope with constant change. In the past, periods of change had been punctuated by periods of stability, which allowed the public to accept the change and deal with it, but these periods of stability became increasingly shorter, and disappeared in the late 20th century (Toffler, Alvin, 1970)

In 1978, Derek Abell stresses the importance of time for preparation and implementation of the strategy (Abell, D., 1978). This leads to the principle of planned obsolescence of technologies, processes, products and services.

In 1979, Al Ries and Jack Trout published "Positioning: The Battle for Your Mind". According to them, the creation of strategy should not take into account only internal to the organization factors but also how users accept the organization and how they compare it with other competitors.

Some scholars draw attention to the fact that business spends more to acquire new customers than to retain current and believe that the strategy of the organization should be focused on customer retention and ensuring that the customers will return repeatedly, knew as an effect of loyalty (Nag, R.; Hambrick, C.; Chen, M., 2007).

In the 80s of 20th century, business strategists realized that there was great base of knowledge, which spreaded thousands years back in time, so began to pay attention on the military strategies. Today, the main business strategies are significantly close to them. As examples can be mentioned offensive, offensive marketing strategies; defensive marketing strategies; accompanying marketing strategies and strategies of guerrilla warfare.

In 1990, Richard Pascale wrote that relentless change required businesses to rethink continually. His famous phrase is "nothing fails like success" where he stresses that what is our strength now, yesterday become the root of our weakness (Reichheld, F., 1996).

In 1993, John Kay developed the idea of the value chain of Porter at financial level, considering that added value should be the primary goal of any business. The added value he defined as the difference between the market value of final products and made by an organization production costs.

Arie de Geus studied the longevity and success of the business units and identified four key characteristics of organizations that thrive for 50 years or more. These characteristics are:

- sensitivity to the business environment - the ability of a business unit to learn and adjust according to the learned;
- cohesion and identity - the ability to build common purpose among individuals working in the organization and the organization itself;
- tolerance and decentralization - the ability to build relationships of solidarity and cooperation;
- conservative financing.

Organization with these key features he called "live" organization because it is able to exist and prosper long. If an organization focuses on knowledge and regards itself as a community of human beings, it has the potential to remain in business for decades. Such an organization is an organic entity capable of life.

Henry Mintzberg differs from many authors, who have written on strategic management features. According to him, the strategy can be considered as (Mintzberg, H., 1987):

✓ Plan, direction, course of action, intention
✓ Maneuver intended to outwit a competitor
✓ Consistent pattern of behavior
✓ Position, localization of brands, products or business units
✓ Perspective - a guide for future work.

In 1998 Mintzberg presented management strategies in ten schools, grouped into three categories (Mintzberg, H. Ahlstrand, B. and Lampel, J., 1998).

In 2000, Gary Hamel talked about how the value of any strategy, no matter how brilliant she it is, decreased over the time (Hamel, G., 2002).
Strategy Safari "A Guided Tour through the Wilds of Strategic Management" by Mintzberg, Ahlstrand and Lempal is a comprehensive review of academic studies of business strategy. The book presents the diversity of trends in strategic management. The authors identify ten existing schools that devide into three groups: 1) prescriptive, which deals with the nature of strategies (consists of three schools), 2) descriptive that describes ways of forming strategies (consists of six schools) and 3)

configurable, which shows the development of strategic management and is a kind of hybrid between other schools (consists of a single school - the school of configuration) (Mintzberg, H., Ahlstrand, B. and J. Lampel, 1998).

According to the Design School strategy is seen as a unique and pre-conceived perspective, and the main stages of strategic management are: analysis of internal and external environment, SWOT analysis, creation, selection and evaluation of strategic alternatives, the choice of strategic alternatives and implementation of the strategy in practice. The formation of the strategy should be a deliberate process.

Followers of Planning School consideres that the strategy is a plan that includes specific goals and formation of strategies is the result of controlled and deliberate process to create a formal plan for the organization.

According to the Positioning School formation of strategies is an analytical process. It is a plan that generates economic and competitive advantages.

Entrepreneurial School believes that entrepreneurship is the engine that drives the business forward. The entrepreneur is the person who owns the business ideas that are subtle, but in the hands of entrepreneurs these ideas become real and materialized. The strategy is seen as imaginary, illusory, utopian process. It exists in the mind of the strategist in the form of perspective. It is formed by the leader of the organization based on the holding of intuition, judgment, wisdom, experience. Entrepreneurial strategy is characterized by orientation to search for new opportunities, flexibility and dynamism, risk taking, individuality and uniqueness.

Cognitive School claims that to form strategy is a cognitive process that takes place in the mind of the strategist, so the strategies emerge as concepts, which are formed depending on the perception of the environment. The environment and strategies can be modeled and constructed.

According to the theory of chaos in the strategic management, the stability is transient condition. In chaotic systems, long-term planning is very difficult. They do not achieve a good balance and they can never pass through the same position more than once. According to Learning (or emergent) School it is necessary to go beyond the old way of thinking and to pay more attention to acquiring knowledge through experience and with using a system for passing on knowledge from one person to another.

Power School considers formulation of strategy in relation to the existence of two types of power: micro-power, which stems from the fact that the organization is a coalition of various groups and individuals united by a common interest and macro-power, which refers to the relationships between the organization and the external environment. Strategies are seen as a process of settlement negotiation. According to this school, the strategies reflect the interests of the most influential groups in the system, and do not reflect what is optimal for it and its people as a whole.

According to the school so the organizational culture (Cultural School) formation of the strategy is a process of social interaction, based on values, and beliefs shared by the members of the organization. The individual acquires these beliefs in the process of socialization and the strategies were formed because of the efforts of a large number of employees, as a collective process. Organizational culture is a key to competitive advantages.

The surrounding environment is characterized by dynamism, complexity, variety of markets and industries and hostility from competing companies, trade unions, government, and other external groups. The formation of the strategy is reactive process that depends on environmental factors, so the organization must adapt or die. According to the Environmental School, environment dictates the strategy, which largely deprives the organization of a strategic choice.

For a certain time organization can be described as a kind of stable configuration (Configuration (or transformation) School). The processes of transformation sometimes interrupt the periods of stability, which is a jump to another configuration. A strategy is a "shake" of the existing system, and enable the organization to move in a new condition. A key to strategic management is to maintain stability in the organization, but from time to time to recognize the need for transformation and to be managed without destroying the organization.

Based on a study of 150 strategic moves from more than 30 industry for over 100 years (1880-2000), Chan Kim and Renee Mauborgne argue that future leading companies may fail in the traditional rivalry, but will be able to create undeniable market space through value innovation (Blue Ocean Strategy, 2015). The authors examined the experience of companies in different areas of production and non-production sphere to answer the question of how to create value innovation, new needs and new market niches or how it is possible to meet existing needs in new ways.

Finally, can be concluded that strategic management is a continuous process involving business unit. This is the process of developing and implementing strategies based on continuous analysis, monitoring and evaluation of changes in the organization, in order to maintain its survival and effective functioning in a constantly changing environment. Strategic management is directed towards analyzing, collating and overcome the problems faced by the organization due to changes in the environment. It examines the strategy as a set of rules for decision-making from which the organization is guided in its activities.

All organizations strive to realize their goals. The objectives are desired end states, which may include survival, increasing economic prosperity, increasing labor productivity, establishing certain values and others. The role of the strategy is to ensure the protection of these objectives, to create favorable conditions for achieving them in a consistent and optimal way. Therefore, the strategy suggests predicted examines and assesses the strategic environment in varying degrees, so that the organization to be able to manipulate it according to its goals.

According to the latest research in strategic management in business there is a theory that it is possible to create an unknown market niche, where there is no competition. The strategy consists in offering innovation that creates value for both the buyer and the company. Using such a strategy allows companies to play a game, with profit opportunities for all participants. This comes to the idea that the organization can generate growth and profits by creating new consumer demand in new market space, rather than to compete with other organizations for existing customers in an existing industry.

References:

Abell, D., (1978). Strategic windows, *Journal of Marketing*, Vol 42, Chicago.

Ansoff, Igor, (1965). *Corporate Strategy* McGraw Hill, New York.

Blue Ocean Strategy, (2015). *Blue Ocean Strategy*, available at: http://www.blueoceanstrategy.com/overview/#what-is-blue-ocean-strategy.(accessed 24 February 2015).

Chandler, Alfred, (1962). *Strategy and Structure: Chapters in the history of industrial enterprise*, Doubleday, New York,.

Drucker, P., (1954). *The Practice of Management*, Harper and Row, New York.

Hamel, G., (2002). *Leading the Revolution*, Plume (Penguin Books), New York.

http://oxforddictionaries.com/... (accessed 1 July 2013).

http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=43170, (accessed 24 February 2015).

Mintzberg, H. Ahlstrand, B. and Lampel, J., (1998). *Strategy Safari: A Guided Tour through the Wilds of Strategic Management*, The Free Press, New York.

Mintzberg, H., (1987). *Crafting Strategy*, Harvard Business Review, July /August.

Mintzberg, H., Ahlstrand, B. and J. Lampel, (1998). *Strategy Safari A Guided Tour Through the Wilds of Strategic Management*, The Free Press Simon & Schuster Inc., New York.

Nag, R.; Hambrick, C.; Chen, M., (2007). What is strategic management, really? Inductive derivation of a consensus definition of the field. *Strategic Management Journal*. Volume 28, Issue 9.

Organization for Standardization, (2015). Risk management - Principles and guidelines on implementation, International. ISO / DIS 31000, 2009, available at:

Oxford University Press (2013), *Dictionary*, available at:

Pascale, R., (1990). *Managing on the Edge*, Simon and Schuster, New York.

Penchev, P., (2002). *Fundamentals of Management*, Ed. Abagar, Veliko Tarnovo.

Reichheld, F., (1996). *The Loyalty Effect*, Harvard Business School Press, Boston.

Selznick, Ph., (1957). *Leadership in Administration: A Sociological Interpretation*, Row, Peterson, Evanston Il.

Toffler, Alvin, (1970). *Future Shock*, Bantom Books, New York.

USA Department of Defense, *Dictionary of Military and Associated Terms*, Joint Publication 1-02, 12 April 2001 (as Amended Through 17 December 2003).