

## Classification of Romanian Industrial Companies based on the Management Strategic Dimension

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### *Abstract*

*The interest for strategy expressed within Romanian companies was caused by the fact that the external context has become more and more dynamic and unpredictable, allowing to different factors to exert a more powerful influence over the enterprise than previously expected. Consequently, by elaborating global and specialized strategies the companies try to anticipate and even to shape their direct environment.*

*The analysis performed at this stage is focused on highlighting the main impact elements of endogenous and exogenous variables, conditioning the strategic and cultural dimension of the company related to its managerial and economic performances and, especially, the extent to which the managers understand and use such managerial tools in order to get performances and trigger excellence in management and implicitly excellence in business.*

**Keywords:** *strategy, endogenous variables, exogenous variables, managerial tools, performance*

**JEL classification:** M10, M14

### **1. Types of Romanian industrial companies based on the management strategic dimension**

The management team that runs the company has to make important decisions that are going to have a significant impact on all the components of the organization. In fact, as part of their jobs the top managers are the ones in charge with drafting the company's strategy and assuring that it will be well implemented and will provide the forecasted results.

In designing and implementing the strategy the managers have to pay close attention to some of the variables that could support or hinder the touch of the settled targets. The size of the organisation and its complexity can determine its inertia and, consequently, more resources are required in order for the changes to prove viable. So, the strategy has to accommodate the company with its own environment and to be able to get most out of it. When we have a growth in the company's size, this is usually accompanied by organisational inertia and the efforts to develop new approaches involve much more resources. And we don't have to forget that when designing the content and means of implementing a strategy, consideration of the organisational inertia is of high importance.

We further present the ways in which managers of different Romanian companies understand to use the strategy as managerial tool. Depending on the size, complexity and other endogenous /exogenous variables, the top managers act differently in the process of forecasting.

Even if theoretically, most of the managers agree with the necessity of having an important control of the organization's future, practically not all of them are in position to state that for them the strategy is a real instrument that adds value in their decisions and actions.

- **The lack of strategic dimension** since the company's behaviour is **inertial** (it uses elements of the previous period, some of them with positive levels for that period) or **of survival** (for the present day or for tomorrow, but not an uncertain "tomorrow").

As it has been stated before the number of enterprises "without" a realistic strategic protection is decreasing, yet not as dramatically as we would have expected to happen after 1989. Two major causes account for this situation:

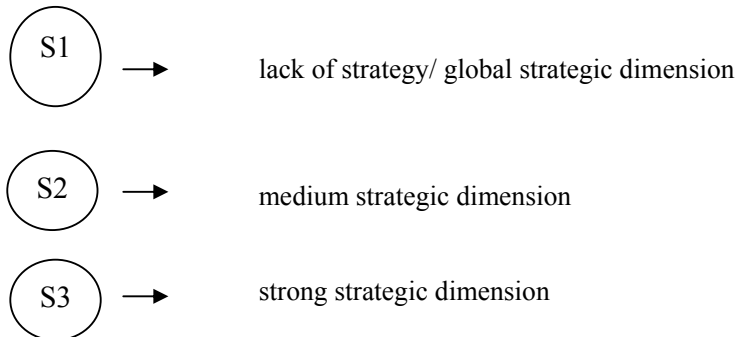
- The first refers to mainly or entirely state-owned companies whose strategic behaviour does not "stray away" too much from the situation in the socialist times when everything would flow from top to bottom including strategic objectives and options.

Such a behaviour points to a precarious "cultural state" of the respective enterprises, a lack of values and attitudes that are hard to understand for (in) managers who lead and manage them and we must admit it, they act like puppets.

- For private companies it is possible to have managers who are less experienced in the field but with a developed entrepreneurial drive and who are satisfactory on the short term but not on the long term.
- **The sporadic existence of strategic components**, usually **objectives**, without them being coherently and constructively formulated in a wise strategic projection. Furthermore, there are many cases in which even though together with objectives there are options and/or strategic resources, the so-called strategies are not rigorously substantiated, focusing on the use of diagnostic studies, market studies, ecological ones or the national strategy.

- **The existence of truly realistic global and partial strategies** which we may consider as the normal situation from a managerial point of view.

Therefore, the **strategic dimension** of the Romanian industrial company management may be highlighted by the three possibilities:



The criteria used to assess the **strategic dimension of the industrial enterprise** and which “fuel” the three situations are:

**Matrix – framework for typological categorisation of industrial enterprises function of the management strategic dimension**

**Table 1**

|                         |  |
|-------------------------|--|
| <b>Criterion 1 (C1)</b> | The degree to which global and partial strategies are substantiated (taking into consideration the diagnostic studies, marketing studies, ecological ones and the national or sector-centered strategy). |
| <b>Criterion 2 (C2)</b> | The extent to which the interests of the main stakeholders (internal and external) are satisfied.  |
| <b>Criterion 3 (C3)</b> | The extent to which the strategies of industrial enterprises are implemented (applied).  |

**Assessment criteria for strategic dimension**

**Table 2**

| Strategic dimension                                       | Assessment criteria  |  |  |
|---|--|--|--|
|   | C 1  | C 2  | C 3  |
| 1   | 2  | 3  | 4  |
| <b>Lack of strategy or the sporadic existence of some</b> | <ul style="list-style-type: none"> <li>• The substantiation of strategy or policy cannot be mentioned</li> <li>• A very low degree of substantiation if</li> </ul> | <ul style="list-style-type: none"> <li>• The economic interests of the stakeholders are not known</li> <li>• It confines to the</li> </ul> | <ul style="list-style-type: none"> <li>• Usually there is inertia by using the results of predecessors or</li> <li>• The implementation</li> </ul> |

| Strategic dimension   | Assessment criteria   |   |  |
|---|---|---|--|
|   | C 1   | C 2   | C 3  |
| 1   | 2   | 3   | 4  |
| <b>components of the strategy</b>   | <p>one separately takes into consideration certain information referring to the past and present of the company, market</p> <ul style="list-style-type: none"> <li>• Predominantly empirical management</li> <li>• A “local” vision and without perspectives</li> <li>• Incompetent managers or with reduced competences who usually have not even heard about strategies or strategic management</li> <li>• The criterion is instantiated only as: <ul style="list-style-type: none"> <li>- low</li> <li>- medium</li> </ul> </li> </ul> | <p>immediate economic interests of the boss (who may be the manager)</p> <ul style="list-style-type: none"> <li>• The interests of the employees fall in the background</li> <li>• The company owes more than its economic financial potential allows it, and it may become insolvent</li> <li>• The immediate and highest possible profit is priority number one for the boss, managers and even employees</li> <li>• The criterion is fully instantiated as: <ul style="list-style-type: none"> <li>- low</li> <li>- medium</li> <li>- high (nevertheless, the purpose is fulfilling the economic interests of one or more categories of stakeholders)</li> </ul> </li> </ul> | <p>of certain components of the strategy is made randomly</p> <ul style="list-style-type: none"> <li>• There is no implementation plan since part of the managers and employees is not even aware of the existence and necessity of implementing certain components of the strategy</li> <li>• The criterion may become operational in the three cases: <ul style="list-style-type: none"> <li>- Low</li> <li>- Medium</li> <li>- High, even though it refers to one or some strategic components and not to the strategy as a whole.</li> </ul> </li> </ul> |
| <p><b>Types of industrial enterprises with such a strategic dimension of the management are:</b></p> <ul style="list-style-type: none"> <li>• Small enterprises and newly-established micro-enterprises</li> <li>• Micro-enterprises and small enterprises in a time of economic and commercial decline</li> </ul> <p>Micro-enterprises and small enterprises which were established following decisions of outsourcing and which have “awoken” from their old activity status or structural components of certain medium- and small-sized enterprises.</p> |   |   |  |

| Strategic dimension  | Assessment criteria   |  |   |
|--|---|--|---|
|  | C 1   | C 2  | C 3   |
| 1  | 2   | 3  | 4   |
| <b>The existence of strategic components without being included in a realistic global strategy</b>   | <ul style="list-style-type: none"> <li>• The substantiation degree focuses on strategy components (objectives, realisation modes, resources, deadlines, competitive advantage)</li> <li>• The strategic objectives are not missing</li> <li>• The substantiation of these components is usually low or medium, without taking into consideration the results of the diagnosing process, market studying or the national/sector-centered strategy</li> <li>• There is a constant risk of modifying the objectives and realisation modes caused by the lack of synchronisation with the resources and the potential of the company</li> </ul> | <ul style="list-style-type: none"> <li>• The economic interests of the main stakeholders – especially internal ones (employees, shareholders) - are taken into consideration</li> <li>• The degree of involvement of external stakeholders is lower since they are not sufficiently “stimulated” from an economic point of view</li> </ul> | <ul style="list-style-type: none"> <li>• The operationalisation is made for each strategic component causing the obstacles encountered in meeting the objectives</li> <li>• The actions are disparate, without having been pondered on before implementation</li> </ul> |
| <p><b>Types of industrial enterprises with such a strategic dimension are:</b></p> <ul style="list-style-type: none"> <li>• Small- and medium-sized enterprises with a modest potential in which management is not separated from property (the manager is both owner-boss and entrepreneur)</li> <li>• State-owned enterprises led and managed by incompetent managers or with low managerial competences</li> <li>• Enterprises interested in gaining immediate profit only “pushing” the limit of the law and which are at the edge of economic and fiscal normality; usually such companies have a short life span in a healthy economic, political and managerial environment.</li> </ul> |   |  |   |

| Strategic dimension  | Assessment criteria   |   |  |
|--|---|---|--|
|  | C 1   | C 2   | C 3  |
| 1  | 2   | 3   | 4  |
| <b>The existence of realistic global and partial strategies (an authentic strategic management)</b>  | <ul style="list-style-type: none"> <li>• There are various cases, of medium or high substantiation of the future projections of industrial companies</li> <li>• It is impossible for such strategies to exist without taking information from the four sources (diagnostic and market research, the environmental research study or the national strategy), even though they are not always pertinent enough</li> <li>• Managers who develop and apply microeconomic strategies are competent, they know how to develop diagnostic studies, they are aware of the market of the company and they carefully pursue its integration into the tendencies of the branch/sector they are part of.</li> </ul> | <ul style="list-style-type: none"> <li>• The economic interests of the internal and external stakeholders are known</li> <li>• Such interests are usually taken into consideration to a satisfying extent</li> <li>• They can be harmonised to a low, medium and high degree depending on the stage priorities of the company but also on the economic, commercial potential of the business</li> <li>• Special attention is given to employees by promoting certain motivational mechanisms centred on the extent to which the objectives are met</li> </ul> | <ul style="list-style-type: none"> <li>• The operationalisation may yield any of the mentioned cases: <ul style="list-style-type: none"> <li>- low</li> <li>- modest</li> <li>- high.</li> </ul> </li> <li>• The actions initiated for making the strategy operational are high-level ones; sometimes, deep managerial changes due to the redesign of the management system are necessary, sometimes mindset changes are required etc. with which managers are responsible</li> <li>• The strategy is applied in a flexible manner, which may trigger the correction of some strategic components or even of the strategy as a whole.</li> </ul> |
| <p><b>Types of industrial enterprises strategically characterised by such elements are:</b></p> <ul style="list-style-type: none"> <li>• Mature enterprises with a solid managerial, economic and commercial experience</li> <li>• Enterprises with visible managerial and economic performances recorded in a time interval which is consistent enough</li> <li>• Innovatory enterprises with a marked entrepreneurial character</li> <li>• Companies with an aggressive management that are undergoing a process of economic and commercial expansion</li> <li>• Dimensionally speaking, both small- and medium-sized enterprises and the large- and very large-sized enterprises (and especially these) stand real chances of becoming businesses of excellence, since promoting strategic management is a requisite of success.</li> </ul> |   |   |  |

## 2. Conclusions

The management strategic dimensions classification reflects the vision and the types of decisions made and the degree of management involvement in forecasting the future and fighting to reshape the company's environment.

As we were able to see in this article there are frequent situations when the top managers focuses on daily or tactical activities, most of them having a low impact on the functionality and efficiency of the company.

The strategic decision-making process is one of the most important fields for action that goes with the position of a top manager but, for many times, it becomes quickly forgotten. The competence of the managers is indeed revealed by the results they get and the strategy represents a magical tool for those who are able to master it and to make it understandable and easy to work with it, not only for the top managers, but for most part of the organization's personnel.

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