ANNALS of the ORADEA UNIVERSITY.
Fascicle of Management and Technological Engineering, Volume X (XX), 2011, NR2

STRATEGY, STRATEGIC INTEGRATION AND ORGANIZATIONAL COMPETITIVENESS

Vladimir-Codrin Ionescu
University of Bucharest, 36-46 M. Kogalniceanu Avenue, Bucharest
vladimir-codrin.ionescu@drept.unibuc.ro

Keywords: organization, business strategy, strategic integration, competitiveness.

Abstract. An organization fits strategically in a particular branch of activity if it has a sustainable competitive market position. Strategic integration involves adopting a strategy that takes into account both the mutations registered in the business environment and the development stage of the organization. In this context, the paper examines in a correlative vision the trinomial "strategy – strategic integration – organizational competitiveness", presenting the main types of strategies that companies may use throughout their life cycle in their effort to integrate strategically in an increasingly complex and turbulent business environment.

1. Introduction

In the contemporary period, the consolidation, development and implementation of appropriate business strategies is a *sine qua non* of competitive organizations. Strategy is the result of the strategic planning process, the "product" with which a company enters the competition existing in the domestic and international business environment. The moment when an organization launches new business strategy has to be prepared carefully, as the emergence of a new product on the market.

In order to implement effective business strategies, it is imperative that companies constantly have recourse to strategic diagnosis-analyses, followed by organizational changes, which complete the variables that define the new strategic orientation, namely the strategic basis, the strategic segment and the target-group customers envisaged by the organization.

Recent studies and research in countries with a developed economy highlight the importance of the consolidation and implementation of strategies in achieving competitive advantages and, at the same time, reveal that a growing number of companies feel the need to develop and operationalize business strategies [4,6,12] . In our view, the inefficiency of certain organizations is related, beyond the constraints existing in their environment, to the lack of appropriate strategic orientations and strategies to put them into practice at the right time.

The paper examines in a correlative vision the trinomial "strategy – strategic integration – organizational competitiveness", presenting the main types of strategies that companies may use throughout their life cycle in their effort to integrate strategically in an increasingly complex and turbulent business environment.

2. Conceptual Delimitations

Over time there have been several approaches to the concept of strategy. The term is of military origin and comes from Greek, meaning "the science and art of leading a military campaign by combining and using different means on a large scale to gain the advantage in war" [7].

One of the first management experts who emphasized the role of strategy in the activity of a company was the American professor P.F. Drucker, who said that the strategy refers mainly to two factors – business content and object of activity of the company. In K. Andrews' conception, summarized in "Business Policy. Tests and Cases", the strategy includes the structure of the company's objectives, policies and major plans for their

achievement, which have to be established so as to define the current or future object of activity and the type of current or envisaged business.
Ansoff [1] argues that the strategy captures the essential nature of the economic activity that the company is carrying out or will carry out in the future, identifying four components thereof: the couple “product-market”, the vector of growth, the competitive advantage and the synergy.
In the paper entitled “Strategy Formation. School of Thought”, Mintzberg [8] presents five definitions of strategy: a perception through which a predetermined course of action is designated so as to solve a problem; a sketch or project consisting of a maneuver intended to ensure the overcoming of a competitor; a model establishing a structure of actions in the behavioral plan; a positioning of the company, meaning the methods to identify the place that it occupies in the environment; a perspective that involves both the establishment of a position and a perception of the reality which is reflected in its actions aimed at the market, technology, etc.
A comprehensive approach to strategy is carried out by M. Porter, who introduced the term of “generic strategy” [11]. Porter argues that generic strategy lies in the specification of the fundamental approach to achieve the competitive advantage pursued by a company, which provides the context for the actions to be taken in each functional domain.
Professors Ovidiu Nicolescu and Ion Verboncu [9] define strategy as all major long-term objectives of the company, the main modalities to achieve them, together with the allocated resources, so as to obtain the competitive advantage according to the mission of the organization.
In our opinion, the strategy is the tool by which a company puts into practice its strategic orientation and consists of a set of options which it uses to achieve, within the limit of established terms, the objectives arising from the mission, making use of a complex of resources, the final target being the achievement of the competitive advantage.
Currently, most businesses are increasingly aware of the need for a coherent strategic thinking to enable them to compete on various markets and to adapt quickly and effectively to the unpredictable changes in the business environment [10].

3. Strategic Integration of the Organization

A business strategically integrates into a particular branch of activity if it has a sustainable competitive market position. Strategic integration involves adopting a strategy that takes into account both the mutations registered in the business environment and the development stage of the organization [5].
In their effort to integrate strategically into an increasingly complex competitive environment, the organizations may use a wide range of business strategies, grouped into six categories: market entry strategies, development strategies, stability strategies, defensive strategies, combined strategies and partnership strategies. The first four types of strategies correspond to the stages that form the life cycle of an organization – launch, development, maturity, decline.
Market entry strategies are being promoted either by a newly established company or by an organization that has not evolved on that market until that moment. In both cases, the company may make its entry on the market by creating a product which is, in terms of quality, above the average products offered in that sector of activity. In order to be successful, the companies entering the market have to offer products with essential features distinct from those of the products already existing on the market. At this stage, the major objective is the accession of the product on the market, the coverage of the

expenses incurred by the company and the achievement of a profit which would allow the preparation for the phase of growth.

The economic practice has shown that the probability of failure associated to a market entry strategy is lower than in the other types of strategies. This is explained by the fact that the company opts for such a strategy when it has the resources and managerial skills necessary to launch on the market a product which is qualitatively superior to those offered by companies already active in that sector.

The development strategies are aimed at increasing the product sales volume and, implicitly, the profit. These strategies are promoted by the organizations that have been successful in launching phase and, therefore, intend to expand their market share and thus to obtain a competitive position as favorable as possible in their branch of activity.

The main types of development strategies are the concentration strategy, the market penetration strategy, the product development strategy, the market expansion strategy and the concentric diversification strategy.

The concentration strategy is a form of development strategy that may be applied by an industrial company operating on a market dominated by large companies. This type of strategy consists of focusing the company on a product or on a limited number of products with high profitability and which thus ensure a favorable competitive position for the company on the market. We find that the concentration strategy is appropriate for the specifics of small or medium enterprises achieving a product or a limited range of products.

The market penetration strategy is a type of strategy often used by a small or medium sized firm with a production profile and resides in the sale of a certain product on a certain market. The objective pursued by the adoption of such a strategy is to increase the market share quota by permanently improving the product, by reducing the manufacture costs and by developing effective marketing actions. This strategy is intended for companies in the development stage, but it should be noted that it provides short-term economic efficiency. In order to achieve an enduring competitive position, it is recommended that a company combine this type of strategy with the product development strategy and the market expansion strategy.

The product development strategy aims to bring changes to the company's basic product or to expand the range of manufactured products, yet making use of the distribution channels existing but at that moment and acting on the same market. By means of such a strategy, the company acquires a strong position on that market. This type of strategy may be used by a company that, through the product or products offered until then, has built a good reputation among the purchasers and, at the same time, they are particularly interested in the products that are specific for that market.

Companies that make use of such strategies may encounter difficulties because the expansion of the range of products involves significant expenses and a potential failure of the product may bring the company in a critical situation. For this reason, the product development strategy is particularly suitable for medium and large companies that are in the development stage.

The market expansion strategy is intended for the sale of the same product on a new market, by the creation of distribution channels. The successful implementation of this strategy involves organizing promotional campaigns and offering products that are differentiated from those of the competitors. The market expansion strategy is more appropriate for small and medium enterprises as it presents a lower risk compared to the product development strategy. At the same time, the costs incurred with the implementation of a market expansion strategy are lower than in the case of a product development strategy.

The diversification strategy is implemented by companies having as their objective the expansion of the businesses that they are carrying out at a specific time. The diversification may be concentric when the company initiates activities in fields that are distinct from those traditional, but related thereto. The diversification may also be of the conglomerate type, meaning that the company focuses on products totally different from those it had manufactured until then. The diversification strategy of the conglomerate type is implemented in large sized organizations, while the concentric variant of diversification is more suitable for small and medium businesses.

The stability strategies are appropriate if the company is in its maturity stage. Thus, the company holds a significant competitive position and is oriented towards strengthening the economic performance achieved in the prior phase of growth. The stability strategies consist of maintaining the range of manufactured products, technologies used to achieve them, the markets and the distribution channels. A company opts for such a strategy when the available resources do not allow the increase of the business volume and needs time to prepare a potential rise.

The stability strategies present a special importance because they can prevent the company from entering the phase of decline. If the company is not limited solely to maintaining the competitive level that it has reached and invests during its maturity period in the research, development and marketing activity, then it can prepare the launch of a new product on the market, thus entering the phase of growth.

The harvest strategy is a form of stability strategy and consists of maximizing the profit obtained from the sale of existing products that have reached a point on the curve of their life cycle in which the prospects are not favorable as a consequence of the fact that the consumers' preferences have substantially changed and, at the same time, new competitors offering products with superior characteristics appeared on the market. Practically, by this type of strategy a company capitalizes its existing products and services, *i.e.* those products and services that caused its rise in the phase of growth. This type of strategy is also promoted by the companies whose entrepreneurs, managers, employees and shareholders avoid organizational changes and do not have a prospective view, believing that once the company has achieved a certain economic performance, the efforts must be directed only towards the maintenance of such performance.

The defensive strategies are used when the company is facing financial difficulties, when the competition is harsher due to the appearance of products and services of superior quality against the background of economic recession, etc. The most important defensive strategies are the comeback strategy (it has as its objective the restoration of the company to a profitability level registered in the previous period), the reduction strategy (it is suitable in periods marked by economic recession, political instability and the existence of restrictive legal provisions, etc.), the waiver strategy (by which a company decides, based on thorough analyses, to leave a certain strategic segment), the "captive company" strategy (recommended for small firms entrusting competences to medium or large enterprises in exchange for economic advantages) and the liquidation strategy (the sale by a company of its assets).

The combined strategies are used by the companies achieving multiple products. Putting into practice the strategic orientation requires, in this case, the adoption of different strategies for each separate strategic segment. For example, an undertaking achieving three products may adopt a development strategy (market expansion) for the first product, a stability strategy for the second product and a defensive strategy (waiver) for the third product. Therefore, the combined strategies are promoted by the companies whose business is conducted on several strategic segments.

The partnership strategies, also known as relational strategies, consist of establishing collaboration relationships among several companies that evolve in the same branch of activity. The collaboration relationships between a small and medium enterprise and a large company are in the form of subcontracting arrangements, meaning that small and medium enterprise performs certain parts and subassemblies of a product that is asse
The relations established among small and medium enterprises turn into strategic alliances such as the franchise, concession, joint licensing of products and technologies, and also joint ventures. The franchise, concession and joint licensing of products and technologies present multiple advantages to the partner companies, among which: facilitating the entry on a particular market; increase of the turnover; reduction of the risks associated to the performed activities; access to additional financial, managerial, technological and human resources. Joint ventures result from strategic alliances among small and medium sized businesses operating in different countries.
Companies opt for strategic alliances when they do not have a potential to ensure them an enduring competitive position on a certain market. Making use of a strategic alliance is a crucial decision for the management of a small and medium enterprise. By entering into strategic alliances, small and medium businesses can integrate into a business environment marked by the intensification of the competition. Also, strategic alliances create the possibility to develop costly projects that would not materialize otherwise.
The use of partnership strategies on a wide scale is reflected in the configuration of an “alliances market”, as the business collaboration relationships are the support of the business networks that are created in various branches of activity.

4. Organizational Competitiveness by Strategic Integration

The strategic integration is an essential prerequisite to the competitiveness of organizations. Achieving long-term competitive advantage involves the design and operationalization of appropriate business strategies that take into account both the mutations registered in the business environment and the development stage of the organization.
A firm may have competitive advantages deriving either from carrying out its activity in terms of lower costs or from offering a product different from that of the competitors. In other words, the source of the competitive advantage is the more efficient supply, as compared to the competing companies, of the purchase values (the type of reduced costs) or the conduct of activities at comparable costs, creating however more purchase value by reference to the competitors [3]. Typically, a company's competitive advantage combines, in various proportions, the two types previously mentioned.
It is important to note that, typically, a company cannot hold both types of competitive advantage, meaning that it is focused either on cost reduction and thus it will commercialize the product at a price more accessible to consumers, or on specific features defining the product and, implicitly, the production costs will be higher. These features of the product, with a special importance to the purchasers, refer to quality, distribution network, servicing etc.
The coordinates of the business environment significantly influence the strategic integration of the organizations and, implicitly, their competitiveness. A stable business environment, predictable and favorable in terms of legislation, determines the companies to act quickly and effectively in their competition with the other companies, modernizing their technologies, permanently improving their management systems and offering products and services that meet the increasing requirements of the demand carriers.

5. Conclusions

In order to implement effective business strategies, it is imperative that companies constantly have recourse to strategic diagnosis-analyses, followed by organizational changes, which complete the variables that define the new strategic orientation, namely the strategic basis, the strategic segment and the target-group customers envisaged by the organization.
The strategy is the tool by which a company puts into practice its strategic orientation and consists of a set of options which it uses to achieve, within the limit of established terms, the objectives arising from the mission, making use of a complex of resources, the final target being the achievement of the competitive advantage.
A business strategically integrates into a particular branch of activity if it has a sustainable competitive market position. Strategic integration involves adopting a strategy that takes into account both the mutations registered in the business environment and the development stage of the organization.
In their effort to integrate strategically into an increasingly complex competitive environment, the organizations may use a wide range of business strategies, grouped into six categories: market entry strategies, development strategies, stability strategies, defensive strategies, combined strategies and partnership strategies. The first four types of strategies correspond to the stages that form the life cycle of an organization – launch, development, maturity, decline.
The coordinates of the business environment significantly influence the strategic integration of the organizations and, implicitly, their competitiveness. A stable business environment, predictable and favorable in terms of legislation, determines the companies to act quickly and effectively in their competition with the other companies, modernizing their technologies, permanently improving their management systems and offering products and services that meet the increasing requirements of the demand carriers.

References

1. Ansoff, I., Strategie du developpement de l'entreprise, Les Editions d 'Organisation, Paris, 1989.
2. Băcanu, B., Tehnici de analiză în managementul strategic, Editura Polirom, Iaşi, 2007.
3. Fistung, D., Competitivitatea firmelor industriale, Tribuna Economică nr. 14, Bucureşti, 2001.
4. Hrebiniak, L.G., Strategia în afaceri. Implementarea şi executarea eficientă, Editura ALL, Bucureşti, 2009.
5. Ionescu, V, Saloheimo, M., Business Strategies Promoted by the Small and Medium Enterprises from Romania, Buletinul Universităţii Petrol-Gaze din Ploieşti, Seria Ştiinţe Economice, Vol. LX Nr.3, ISSN 1224-6832, p.11-22, 2008.
6. Kenny, J., Strategy and the learning organization: a maturity model for the formation of strategy, The Learning Organization, Vol.13, Nr.4, 2006.
7. Lloyd, L.R., Strategia firmei - fundamentul selectării şi utilizării instrumentarului managerial, în Nicolescu, O. (coord), Sisteme, metode şi tehnici manageriale ale organizaţiei, Editura Economică, Bucureşti, 2000.
8. Mintzberg, H., Strategy Formation. School of Thought., in Fredericson, W., Perspectives on Strategic Management, Harper & Row, New York, 1990.
9. Nicolescu, O., Verboncu, I., Fundamentele managementului organizaţiei, Editura Universitară, Bucureşti, 2008.
10. Popa. I., Management strategic, Editura Economică, Bucureşti, 2004.
11. Porter, M., Competitive Advantage of Nations, The Mac Millan Press Ltd., London, 1990.
12. Trim, Peter R.J., Lee, Y-I., A strategic approach to sustainable partnership development, European Business Review, Vol.20, Nr.3, 2008.