MANAGEMENT STRATEGIES

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ABSTRACT

The purpose of this study is to clarify the concept of management strategy through theoretical and practical applications. Strategy is the action plan that helps business achieve its objectives and used for performing activities such as sourcing. The principle of strategy is about performing different activities or current activities differently from competitors. Every business is and has to be closely related to the concept of strategy. Businesses are obliged to develop new ways and methods constantly to be able to respond competitors, tackle the changes in the environment, meet changing customer expectations and use current resources efficiently. Literature related to management strategies was used and reviewed in this research.

Keywords: Strategy, management, management strategy.

INTRODUCTİON

Strategic management is one of the modern management techniques that started to be introduced in business administration as of 1980s. First introduced in the business administration literature, strategic management has started to be used in public administration in the last 15 years. It is a contemporary style of management formed by the concepts of strategy and management and based on the element of planning.

Strategic management is the body of decisions and operations of developing and implementing strategies and evaluating and controlling the outcomes accordingly. Basic job tasks and responsibilities should be identified properly and the focus should be on the external environment in strategic environment (Dinçer, 2004).

Business administration is the planning, organization, coordination, implementation and control of the activities necessary for a business to achieve its objectives. Strategic management means analyzing the external environment (competitors, products, customers, mediators, suppliers) of the business and making decisions about the future of the business (Ülgen and Mirze, 2010). Accordingly, strategic management is the planning, organization, implementation, coordination and control of activities related to the organization of business' relationships with its environment and the goal setting.

Planning, organization, execution, control and information are the most important elements in management strategy (Betz, 2010).

STRATEGIC MANAGEMENT PROCESS

Strategic Analysis

An organization needs to develop a strategic plan to achieve the objective it has set before. To develop these plans, it starts working with the analysis of current situation in the first place.

Generally, three types of analysis are performed during the development of strategies and the preparation of strategic plans in the process of strategic management:

- External environment analysis
- Internal environment analysis (business analysis)
- SWOT analysis

External Environment Analysis

Changes in the environment should be followed and goals should be set in consideration of opportunities and threats to develop strategic plans. In this scope, external environment analysis includes studies regarding the prediction of opportunities and threats to be faced by the business. Market in which the business operates, number of competitors and products are examined first in the external environment analysis. Next, sectoral effects of global and national developments are evaluated.

Business (Internal Environment) Analysis

In the business (internal environment) analysis, resources and main capabilities possessed by the business are analyzed. These resources and capabilities are compared with the competitors to identify strengths and weaknesses.

SWOT Analysis

SWOT analysis is a commonly used decision analysis method that can analyze the decision environment in regard to internal and external factors (Antony, 2012). There are several studies which use the SWOT analysis in the process of developing and evaluating strategy in the literature (Rachid & Fadel, 2013).

SWOT analysis is the presentation of opportunities and threats in the external environment and the determination of business' strengths and weaknesses and the identification of strategic alternatives to be applied in future by analyzing its internal and external environment. SWOT analysis is the integration of business resources and abilities with the external environment factors. Businesses can make use of the opportunities with its strengths while taking the necessary measures against threats that may arise from their weaknesses.

Setting the Mission and Vision: The vision which sets what a business wishes to happen in future is defined as follows (Ülgen & Mirze, 2010):

- Specifying the characteristics of products and customers,
- Sensitivity of product quality,
- Defining the main business principles and offering the mentality of service ideally.

A mission is a specific task assumed by a person or an organization. Mission is the body of objectives and activities of businesses set in relation with the market. It includes four main elements. These are (DPT, 2006):

- Purpose
- Strategy
- Values
- Behavioral standards.

Accordingly, mission is the reason why businesses exist while vision refers to the status which they want to have in future.

Setting the objectives of a business: After setting the mission and vision in businesses, it is necessary to set the objectives and goals. These objectives and goals provide business with assistance in strategy development, implementation and measurement. Objective of businesses should be clear and measurable (Dinçer, 2004).

When setting the objectives of businesses, SMART method is utilized. The method is described as follows:

S Specific (define objectives clearly, answer the questions)
M Measurable (include numerical measures in objectives)
A Achievable (make objectives accessible for employees)
R Realistic (consider the primary problems in the business)
T Time bound (define the processes)

STRATEGY FORMULATION

Three different strategies can be developed in businesses. These strategies are as follows:

1. Corporate strategy: It predicates the general strategy of an organization operating in several sectors with many businesses. Corporate strategy is about new investment decisions and product/market decisions in its widest sense. This type of strategy also includes department policies, new investment decisions and businesses' decisions of market strategies.

2. Business strategy: Business strategy is about identifying the competition at the department of product/market and the operations that should be performed in a given sector. In this sense, the attention is concentrated primarily on market development and diversification policies.

3. Functional strategy: Decisions of the departments (marketing, production, human resources, financing) within a business are defined as functional strategy. This type of strategy is related to the expedient and efficient use of resources.

STRATEGIC MANAGEMENT THEORIES

Resource-Based Strategy (RBS)

According to RBS, gains and strategies of a business are based on its own resources and capabilities. The basic strength underlying businesses' performance and competitive superiority is their characteristics that are hard to be imitated. Performance of the business is defined by firm's own assets and capabilities rather than the structural characteristics of its sector (Rumelt, 1991).

It is also assumed in this strategy that not every firm has similar strategic resources and capabilities and the exchange of these resources among firms is not easy. These discrepancies of resource and capability form the basis of firm's competitive advantage. A business' competitive advantage is accordingly based on its assets, capabilities, organizational processes, business behaviors, information, etc. which help it implement its strategies and enhance their efficiency and productivity.

On the other hand, the following is the conditions that decide whether a business has the competitive advantage (Barney & Clark, 2007):

- Resources need to be heterogeneous among business and also have strategic importance for the business,
- These resources need to be rare and their exchange among business should not be much easy.

Competitive Strategy

Competitive strategies are classified in different ways by different authors. The most used ones among these are the "Positioning Competitive Strategies" developed by M. Porter and "Typology Competitive Strategies" developed by Miles and Snow.

Positioning Competitive Strategies

In Porter's classical competitive strategy, every business that wants to live and succeed need to develop and implement efficient strategies against competition.

As long as a business develops successful strategies against the forces which shape the competitive structure in its own industry, it will be able to exist for a long time and prevail. There are three main strategies that can be used for dealing with five competitive forces and for bypass other competitors in the sector. These are cost leadership, differentiation and focus strategy (Porter, 2000):

- Cost Leadership Strategy:
- Differentiation Strategy
- Focus Strategy

Typology Competitive Strategies

Another classification of competitive strategies was made by R.E. Miles and C.C. Snow. According to this classification, strategies applied by business to compete are divided into four groups: prospector, defender, analyzer, and reactor (Wheelen & Hunger, 2002):

- Prospector Strategies
- Defender Strategies
- Analyzer Strategies
- Reactor Strategies

Cost Leadership Strategy

It is the strategy that aims at having the cost lower than the total costs in the sector in which a business operates. Even though quality, speed, service and other fields are not ignored, lower cost compared to competitors is the main theme deciding the whole strategy.

Businesses following this strategy have two important advantage over those who prefer other strategies. The first one is that they can yield the same profit and increase the market share by underpricing their products compared to the competitors due to lower costs. The second one that they can expand their customer portfolio by taking the market shares of those who lose the price battle (Eren, 2008).

Businesses to apply the cost leadership strategy need to have sufficient capital and equipment, bigger market shares and an efficient capability of control. Cost leadership requires establishment of active facilities on an efficient scale, gaining experience from powerful cost decreases, rigid cost and overhead control, avoidance of small customer accounts and minimizing the costs in areas such as R&D, service, sales force, advertising, etc. (Porter, 2000). Likewise, it is easier for businesses that benefit from scale economics, have the technological superiority and easy access to raw materials to get the cost advantage.

Advantage of being a low-cost manufacturer in the market depends on the following elements (Eren, 2008):

- Price flexibility of demand, that is, sensitivity of demand to price.
- Manufacturers in the sector manufacturing standardized products and services and consequent competition depending on the cost-price relationship.
- Production of different products in the sector does not mean much for buyers.
- Buyers use the product for the same or similar purposes, not for different purposes.

Differentiation Strategy

Differentiating a product or service to become unique and privileged in the whole sector is the main theme of this strategy. In this strategy, businesses have the yield of difference by aiming to have and maintain the advantage of being the only firm that manufactures the privileged product in the sector. Such business aim to differentiate their products and expect their customers to pay the consequent price difference. This price difference is undoubtedly higher than the price of the cost leader business in that sector. Yet, customers believe that it will be worth paying that higher price for the product and purchase the product or service for a more expensive price (Eren, 2010).

Focus Strategy

Focus strategy concentrates on a certain group of buyers or a given geographical area or region. It is aimed in this strategy to offer main product or service to a small part of the market rather than the whole. Focus strategy is a strategy applicable to a given division of market or niche. The most dominant characteristics of business following this strategy is that they want to exist within a small group of customers (Porter, 2000). In this sense, focus strategies are divided into two:

- **Focused Cost Leadership Strategy** It is the type of strategy aiming to reach a small customer group through low costs. Everything about cost leadership strategy applies to this strategy. The only difference is that cost superiority is targeted not for the whole market but for a part of it.
- **Focused Differentiation Strategy** It is the type of strategy aiming to reach a small customer group through differentiation. Everything about differentiation strategy applies to this strategy. The only difference is that differentiation is performed not in the whole market but in a part of it.

CONCLUSION

One of the most critical points in strategic management is internal and external environment analyses. These analyses should create data sets for strategies to be specified. Accurate specification of these data sets will increase achievement rates of those strategies. It has been shown by several studies in areas of export that many export companies perform internal and external analyses.

Formulation of strategies for managing problems is another key point of strategic management process. Strategies to be formulated in the process should be ensuring the achievement of main objectives. According to the research results, many organizations do not attach enough importance to the formulation of strategies. Therefore, untargeted activities which are patterned with large and small activities low in efficiency are performed. As a result, companies alienate themselves from their goals, lose their energy and credibility. It is highly critical to work carefully in the light of scientific methods in the phase of strategy formulation so that this can be avoided and companies can achieve their goals. Another point to be noted here is to ensure that strategies are internalized by all employees like in other stages. Otherwise, strategies are perceived like strange activities which are in the supervision and responsibility of top management and cannot be embraced by the practitioners with sufficient motivation in the actualization stage. This consequently decreases employees' job performances, affects achievement rates of strategies in a negative way and causes the effort made to become meaningless and lost.

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