

THE STRATEGY OF THE PRODUCTION ENTERPRISE - DESIGN AND IMPLEMENTATION

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Abstract. In the context of the present business environment that is marked by the enhancement of the competition and of the moral usage of products and technologies, the essential premise for the competitiveness of the enterprises that carry out production activities is to substantiate, adopt and implement business strategies. Given that the strategy's design and implementation need to be correlatively and unitary approached, this paper describes the relevant aspects regarding the strategic orientation and the elaboration process of the sections for a business strategy and offers a framework-support for the design and implementation of any type of strategy in a production enterprise.

1. Introduction

The strategy constitutes the most representative product of an organization whereas it defines its long term orientation. The moment in which an enterprise implements a new business strategy needs to be prepared to the smallest details like with the market release of a new product.

The importance of the modern organizations using strategic approaches as well as the complexity of the strategies' design and implementation phases are emphasized in a series of representative researches, studies and articles published in the specialized literature [3,12]. An achieving management implies the correlated and unitary approach on projecting and implementing the organizational strategy. In spite of the fact that the strategy's design constitutes an arduous conception process, numerous management specialists affirm that the implementation is decisive for achieving the strategic step. As a matter of fact the organizational practice demonstrates that many company managers are firstly preoccupied by the strategy's implementation. Otherwise said it is more difficult to implement the strategy, transposing it into practice, rather than its substantiation [5].

In the context of the present business environment that is marked by the enhancement of the competition and of the moral usage of the products and technologies, the essential premise for the competitiveness of the enterprises that carry out production activities is to substantiate, adopt and implement business strategies. In order to constantly create competitive advantages in regard to the competitors it is imperiously necessary for the productive enterprise to promote adequate business strategies that take in consideration the changes recorded by the business environment as well as the stage of organizational development.

The problematic of projecting and implementing the business strategies presents a major importance from a theoretical-methodological point of view as well as from a practical-applicative one, especially if we take in consideration the fact that more organizations feel the necessity of resorting to a strategic approach in the business that they develop [2].

2. The strategic Orientation of the Production Enterprise

Projecting the strategy constitutes the final phase of the strategic planning process and it consists in finalizing the strategic orientation followed by the strategy's detailed elaboration.

The strategic orientation is formed after the diagnosis-analysis but it can still suffer certain modifications in accordance with the organizational change's results. Otherwise said the definite establishment of a production enterprise's strategic orientation depends on the method in which the process of organizational change takes place. For example after a diagnosis-analysis a production enterprise can form a strategic orientation that when transposed into practice it requires the use of a new fabrication technology. In this case the organizational change is centered on organizing new courses of training the human resources in order to achieve qualifications necessary for the new technology. In order to maximize the employees' resistance to change the managers need to induce them the feeling that the change will determine the growth of the firm's competitiveness and implicitly the increase of their professional satisfaction and fulfillment. If the change process will not be well managed the enterprise will redefine the strategic orientation originally planned by trying to maintain its market position by using the same technology and offering products situated on the same qualitative level. Therefore its offensive orientation that is formed after the diagnosis-analysis is subsequently transformed in an orientation that aims at survival or, at the most, to maintain the previous competitive position.

In our opinion the strategic orientation is defined by three variables: the strategic base, the strategic segment and the target-group of clients to whom the enterprise will be addressing [6]. Thus an enterprise that produces electronic appliances can establish a strategic orientation in which the strategic base is represented by the televisions production, the strategic segment is constituted by the production of portable televisions and the segment-target clients belongs to those that possess a medium power of purchase.

The stages of the strategy design's process in the case of a production enterprise are presented in figure 1:

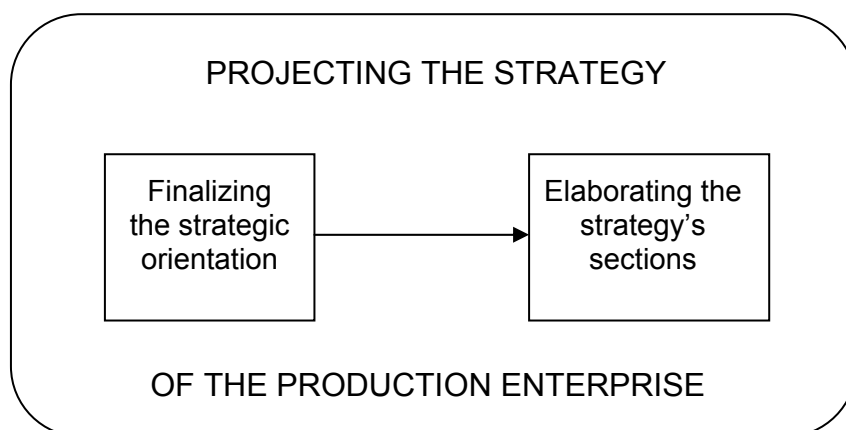


Figure 1. The stages of projecting the strategy in a production enterprise

The strategy constitutes the instrument through which the strategic orientation is transposed into practice thus harmonizing the three vectors that define it – the strategic base, the strategic segment and the clients segment. In time more approaches of the strategy concept were formed and presented in studies and articles published in specialized literature [1,7,9,10].

In our conception the strategy represents the instrument by which a firm can transpose into practice the strategic orientation and it consists of an ensemble of options to which it resorts in order to fulfill, within the limit of the established terms, the objectives that result from the mission, using a complex of resources and finally aiming at obtaining the competitive advantage.

At the actual period the production enterprises need to define the strategy in accordance with a series of variables among which we remind: intensifying competition in the majority of the industrial branches and in particular in the high technology; increasing the quality of the offered products and services and thus the consumers' exigencies; orienting an increasing number of firms in the direction of satisfying buyers as well as studying the competitors' actions; using modern fabrication technology and computerizing the management and execution activities with positive implications on the work productivity and the economical efficiency. In the contemporary economical context the clients' behavior constitutes a key-element in orienting business and implicitly in determining the firm's profitability [4].

3. The Actual Strategy Design

The actual strategy design and elaborating its sections represent a laborious activity that consists in defining the most important steps that a production enterprise will fulfill in order to transpose into practice the strategic orientation finalized in the previous phase.

The first strategy section, the mission, reflects the rationality of the production enterprise's existence and defines the activity profile, products and services that it proposes to achieve as well as the target-segment of clients. The mission constitutes a distinctive element through which a firm is differentiated from the competitors and that delimits a certain position on the market. Defining the mission is important whereas it represents the starting point in elaborating the organizational strategy. For example the mission of an enterprise that produces electronic appliances can be to achieve a more favorable competitive position by offering products that will satisfy the consumers' exigencies by an optimum "quality-price" rapport. The evolutions recorded in the business environment in general and in the activity branch especially, as well as the occurring changes in the structure of the clients' preferences imply the permanent adaptation of the enterprise's mission. The periodical analysis of the mission takes in account to evaluate the internal potential of the firm as well as the mutations that are foreseen in the extra organizational environment.

The objective system represents the second chapter of the strategy. An objective defines what an enterprise proposes to accomplish in a certain amount of time. Between the mission and objectives a relation of interdependency exists, meaning that the objectives concretize the firm's mission and transpose it into practice. The correct formulation of the objectives contained by the strategy constitutes the efficiency's premise at the level of every hierarchical scale and simultaneously offers an image on the enterprise's evolution throughout time. The organizational objectives have a double dimension – internal and external. The internal objectives imply the increase of the competitive position (reflected in the market share), improving the relations with the business partners – providers, clients, banks, competitor firms - , while the external objectives imply the enhancement of the economical-financial accomplishments.

An objectives system for a production enterprise contains strategic, functional, operational and individual objectives. The strategic objectives regard to the enterprise in its ensemble, the functional ones concern the main organizational segments – research and development, commercial, production, financial-accountability and human resources -, the operational objectives refer to the activities that take place in every organizational segment

and the individual objectives concretize the functional objectives at the level of every wage earner.

For example an enterprise that produces electronic appliances proposes as a strategic objective to assimilate in the fabrication a new product, thus a new television model. The process of assimilation in fabricating a new product is complex and it implies the involvement of all the enterprise's departments. Therefore functional objectives will be established at the organizational segments' level that subsequently will be detailed on the activities developed during them, in operational objectives.

In the research-development sphere the objectives reside in conceiving and projecting the new product that needs to be superior from a constructive and functional point of view, compared to those existing on the market at that moment. In the commercial domain the targets are to effectuate marketing studies that emphasize the opportunity to release a new product on the market, to technical-material supplying in order to begin fabrication and finally to identify the most adequate channels of distribution, to organize promotional campaigns and to prepare efficient sale actions. In the sphere of production the main aspects taken in consideration are to program and release the process of fabrication and to assure modern and efficient methods of quality technical control.

The financial-accountability objectives implied the determination of production costs and the establishment of selling prices for the new product in order for it to be attractive for the clients and at the same time to assure a profit that will permit for a short time the product's integration in the increase phase.

The objectives in the human resources domain present a major importance during the assimilation process in fabrication of the new product. A series of actions are taken in consideration like employing new wage earners, organizing training courses for those who activate in the firm and introducing systems of rewards that will motivate the employees in the direction of fulfilling the objectives that are ascertained to them.

In the actual context the objectives established in a production enterprise also present a social dimension that implies the creation of an organizational climate that will offer the employees stability and a high level of professional motivation and accomplishment, the maintenance of products quality and services of high standards as well as the protection of the environment. The objectives set by an enterprise need to be established in a correlative vision that takes in account the mission, the development phase and the recent evolutions recorded in the business environment.

Another strategy chapter, the strategic options, defines the methods in which the production enterprise will act in order to accomplish the strategic objectives that are functional, operational and individual. The main strategic options of a productive enterprise are to specialize the production, partnership, to advance from a technological point of view and re-project the management system [8].

Specializing the production consists in restraining the area of fabricated products or that of the technological procedures used in order to increase the profitability of the enterprising activity. To this strategic option the productive enterprises that might resort to are those that propose to center on a product or a restrained number of products with a high level of profitability. Otherwise said an enterprise needs to create those products that offer it a competitive advantage in rapport with the competitive firms. Specializing the production presents three main forms: specializing on the product, specializing on the product's components and technological specialization.

The partnership consists in establishing collaboration rapports between two or more firms that have certain objectives in common. One of the main forms of partnership is represented by the subcontracting, a process that defines a connection between an enterprise called coordinator and another organization that bares the name of

subcontractor. The subcontractor offers the coordinator parts, references, sub-assemblies that constitute the components of a complex finished product that the coordinator will later commercialize on the market. According to UNIDO* the subcontracting process manifests in three methods: economical (implies, from profitable rationalities, the fabrication of product components in another enterprise), specialized (consists in another firm's production of references that require a high level of qualification) and of capacity (resides in the fabrication of the entire product by the subcontractor as a result to the inefficiency of the coordinator's production capacity). The enterprises that opt for this form of partnership benefit, on the entire contract period, of technical and financial assistance from the coordinator [11]. The subcontractor also has obligations in regard to the products' quality, respecting deadlines for delivering and refunding the eventual credits accorded by the coordinator.

Advancing the technology consists in supplying the enterprise with modern equipments and technologies that can assure the procurement of products and services of superior quality. The technological advance can be established in many ways among which we remind the procurement of specialized production equipments, buying licenses and certificates, creating engineering contracts or franchising with partners from the developed countries as well as conceiving and introducing new technologies.

The enterprise's option for a certain version of technology advance constitutes one of the most important strategic decisions. In the process of substantiating this decision a series of aspects such as the following must be taken in consideration: the resources which the enterprise owns, the human resources' capacity to adapt to the implied requirements by the technologies that will be applied, their receptivity to new, orienting them to action and accomplishment etc.

As a rule an enterprise combines more strategic options. Thus if a firm aims at reaching a more favorable competitive position on the electronic products' market it will need to concentrate on a limited number of products that instead it will produce under conditions of economical efficiency, therefore it will opt for specializing the production. In order to obtain a durable competitive advantage in rapport with the competing firms the strategic specializing option will be accompanied by the process of advancing the technology.

The resources constitute an essential chapter of the production enterprise's strategy. In order to put to practice a strategy a firm needs to allocate human resources of research-development, commercial ones, technical and technological, financial etc. in order to accomplish the objective system of the mission. To these categories of resources we can add the knowledge that tends to become more important in the ensemble of the organizational resources.

An important role during the technical and technological resources is that of the innovating technologies that mainly refer to artificial intelligence, fabricating advanced semiconductors and superconductors, producing digital images, biotechnology as well as fabricating flexible computers.

Knowledge has a determinant impact on the economical and social achievements of the organizations. The explicit knowledge are found in studies, certificates, projects, licenses, standards, informatics programs while the implicit knowledge lies in the minds of the organization's members (technical know-how, technological know-how, informatics know-how, managerial know-how etc.).

In the case of production enterprise that has as a strategic objective to assimilate a new product in the fabrication the resources that will be allocated imply the maintenance of the research-development activity, acquiring new equipments and modernizing the existing

* United Nations Industrial Development Organization.

technology base, preparing fabrication, organizing promotional campaigns as well as identifying the distribution channels for commercializing the new product. The financial resources have a special importance and are presented in the strategy under the form of circulative and investments funds. The circulative funds assure the process of the current activities while the investments funds represent the financial support for operating the strategic options. Sizing the financial resources trained in operating the strategy is done by the budgeting activity.

Another section of the strategy contains the terms that refer to the moment of starting and implicitly the moment of finalizing the implied strategic options. Given the fact that the specializing actions of the production, advancing the technology and re-projecting the managerial system are complex, it is recommended that the afferent durations to be segmented in well defined intervals.

Under the conditions of the market competition's increase and the rhythm's amplification of moral usage of the products and technologies, we affirm that the production enterprises need to operate the proposed strategic options in periods of time that will permit them to obtain competitive advantages. Thus introducing a new fabrication technology can determine a competitive advantage if it is fulfilled in a relatively short period of time. Otherwise the firms will resort to that technology and this will not offer a source of competitive advantage. Overdoing the terms set for finalizing the strategic options will cause a negative reverberation on the expenses plan and on the economical efficiency.

As a consequence a maximum compression is imposed for the implicated time intervals but without affecting the strategic acts' quality and finally of the products and services that the firm offers to its clients. The intermediary and final terms must be as realistic as possible. Also it is necessary to synchronize the terms implied in the strategy, in its ensemble, and those afferent to the included strategic options.

The final strategy chapter is represented by the competitive advantage. The strategy's efficiency is practically reflected in obtaining a competitive advantage that consists of assuring a low cost or producing a product or service that is differentiated through its characteristics by the products and services offered by the competitive firms. The strategic option, to which the firm resorts to, actually constitutes the source of the competitive advantage. An essential condition of maintaining an enterprise in the sphere of economical efficiency is to obtain a long term competitive advantage.

A production enterprise can possess competitive advantages that are provided from the activities developed under the low cost conditions or from creating a product different than that of the competitors. Otherwise said the competitive advantage has as a main source the more efficient purchase of the buying values (low cost type) or developing the activities at comparable cost that will instead create a more buying value in rapport with the competitors. As a rule the competitive advantage of the productive enterprise combines in different proportions the two reminded types.

It is important to mention that the production enterprise cannot own both types of competitive advantage for the reason that it needs to center around reducing costs and thus commercializing the product to a more accessible price for the consumer or instead to concentrate on the defining product's characteristics (quality, reliability etc.) and implicitly the production costs will be higher.

4. Implementing the Strategy

Implementing or launching the strategy follows the activity of strategic planning and consists in its operation or putting it into practice. The term "launch" suggests the analogy between the process of strategic management and the process of assimilating a new product in the fabrication. Putting into practice a new strategy is correspondent to the

stage in which a projected product is released in fabrication. The success of a product is evaluated through the buyers' appreciation and the success of a strategy is measure from the perspective of the competitive position that the enterprise obtains after applying it.

The strategy's operation process is conditioned by the method in which the phases of the strategic planning developed in the phases of the strategic planning, the diagnosis-analysis, the organizational change and the strategy's design. Practically at the end of the strategic planning activity the production enterprise is prepared to launch the strategy, meaning that it has a flexible managerial system, an adequate cultural model, technologies as well as financial and material resources that allow it to be put into practice.

Implementing the strategy consists of the development of all the activities that were foreseen to take place, within the limits of some terms, with the purpose of achieving the system of objectives. Many enterprises fail at the stage of applying the strategy since the employees do not possess the qualifications necessary to fulfill the objectives that are assigned to them. When the strategy is applied the obstacles that normally occur because the organizational change is not well coordinated by the managers, the employees are not totally involved in the process of organizational learning and, consequently, do not obtain those qualifications that could help them to achieve objectives. For every objective the concrete methods of action through which they will be fulfilled are mentioned in the strategy. To be more precise every employee has a graphic of activities that need to be run through in a certain amount of time.

The communication between the managers and wake earners is essential in the strategy's implementation. An adequate communication in the strategic planning activity represents a premise for the success of the strategy's implementation. The organizational change prevents the possible failures that can occur in the operation phase of the strategy. The strategy's planning and implementation present a major importance because the strategy constitutes the product with which the firm proposes to impose in the market competition. From this perspective the enterprise is permanently preoccupied by improving its main product, meaning that it modifies the strategic orientation and implicitly the strategy in accordance with the mutations that supervene in the business environment.

An important aspect is related to the periods of time in which the production enterprise operates the strategy. Exceeding the time limits is reflected in the results that the enterprise obtains after it applies the strategy. Therefore the strategy becomes inopportune if the strategic options do not evolve according to the stages planned according to the calendar.

Operating the strategy needs to be done accompanied by a systematic control that consists of following the method in which the strategy is applied in order to trace certain problems that might appear and effectuating the necessary adjustments for obtaining the foreseen achievements. The strategic control needs to be made throughout the strategy's applying process since the business environment in which the firm evolves is in a permanent change. An efficient strategic control emphasizes at the right moment the impact of these changes on the strategy and is carried out in propositions of revising it.

5. Conclusions

In the context of the actual business environment that is marked by the intensified competition and the amplification of the moral usage of the products and technologies, substantiating and adopting business strategies constitutes an essential premise of the productive enterprises' competitiveness. In order to constantly create competitive advantages in rapport with the competitors it is imperiously necessary that the productive enterprise promotes the adequate business strategies that take in account the changes recorded in the business environment as well as the stage of organizational development.

An achieving management implies the correlated and unitary approach on projecting and implementing the organizational strategy. In spite of the fact that the strategy's design constitutes an arduous conception process, numerous management specialists affirm that the implementation is decisive for achieving the strategic step. The organizational practice demonstrated that implementing the strategy and implicitly transposing it into practice is more difficult than its substantiation.

Formed after the diagnosis-analysis the strategic orientation is defined by three variables: the strategic base, the strategic segment and the target-group of clients to whom the enterprise will be addressing. The strategy represents the instrument by which a firm can transpose into practice the strategic orientation and it consists of an ensemble of options to which it resorts in order to fulfill, within the limit of the established terms, the objectives that result from the mission, using a complex of resources and finally aiming at obtaining the competitive advantage.

The actual design of the strategy and the elaboration of its sections – mission, system of objectives, strategic options, resources, terms and competitive advantage – represent a complex activity that resides from delimiting the most important steps that the production enterprise will follow in order to transpose into practice the strategic orientation finalized in the first step of the design process.

Implementing or launching the strategy follows the strategic planning activity and consists in its operation by putting it into practice. Operating the strategy is conditioned by the method in which the phases of the strategic planning developed in, which are the diagnosis-analysis, the organizational change and the strategy design. Implementing the strategy implies the development of all the activities that were foreseen to take place within the limits of certain terms in order to achieve the objective system. The communication between the managers and employees is essential in the strategy's implementation phase.

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