

The Role of Market Requirements and of Characterization Factors Specific in the Managerial Strategies

Oliver Constantin Pricop

Economics Faculty, "Petre Andrei" University of Iași, Romania

Abstract. At the organization level, several strategies are applied in a combined or successive manner. Several times these combinations or successions fail or do not lead to the desired results because of the fact that an optimal combination of the factors at the basis of these strategies is not achieved. The process of identifying the market requirements and the factors that characterize the managerial strategies is useful from the perspective of understanding their compatibilities so that they can be combined. Thus, the so-called multiple strategies can be created, which can capitalize the synergic potential of the individual strategies.

Keywords: market requirements, characterization factors, synergic potential, multiple strategies, value chain.

1. Introduction

At the level of the organization, several strategies are applied in a combined or successive manner. Several times these combinations or successions fail or do not lead to the desired results because of the fact that an optimal combination of the factors at the basis of these strategies is not achieved. We propose to identify the factors that characterize the strategies and those with synergic potential and to establish a hierarchy of compatibility between these factors and as a consequence between these strategies. At the same time, it is important to find out which are the requirements of the market specific to each managerial strategy and the manner in which these requirements have common points or are differentiated.

From the point of view of their content, the managerial strategies are classified in the specialty literature in two large categories: the intra-industrial strategies and the inter-industrial strategies. The intra-industrial strategies are composed of M. Porter's generic strategies to which we add, for the new businesses, the entrepreneurial strategies¹. These options are those which indicate the medium or long term major strategic tendency on the company. The inter-industrial strategies are those which ensure the strategic mobility of the company at the level of markets and confer its development alternatives or activity efficiency.

2. Identifying the Market Requirements and the Factors Characterizing the Managerial Strategies

The process of identifying the synergic potential of the strategies must be structured by the possible combinations between the 2 categories of strategies.

In this sense the demarche is represented by finding the factors characterizing each strategy and rediscovering some specific market conditions.

For the generic strategies, we consider that these factors can be the following:

- The volume strategy (nomination through costs). The requirements of the market characterizing this strategy are: growing commodity market; the price-centered competition, the constant consume

¹ M.E. Porter, *Competitive strategy. Techniques for Analysing Industries and Competitors*, The Free Press, New York, 1980

requirements². The characteristic factors that this strategy requires are: growing cumulated physical production; efficient cost administration; high technology; high productivity.

- The differentiation strategy can be of the following types: the strategy of frontal attack, the niche strategy and the strategy of the differentiation itself³. In the case of the frontal attack strategy there are two market requirements of strategy applicability: strong competition market and fragmented market. In order to capitalize these requirements, the characteristic factors that must be taken into account are: quick delivery capacity; company image, well defined product or trade-mark; significant financial potential; efficient marketing. For the niche strategy, the market requirements are characterized through the existence of needs that were not completely or sufficiently satisfied; medium or high purchasing power; weak competitors. Specific to this strategy, the company can develop the following characteristic factors: complete assortment range; specialized technology and personnel; flexible and efficient logistic system; well-managed system of customer informing and relationship.

The diversity of forms that the differentiation strategy itself has, makes the characteristic factors particularize for each one even if the market conditions can be analyzed in a unitary manner:

Table 1. The market requirements and the characteristic factors specific to the differentiation strategy itself

Generic strategy		Market requirements	Characteristic factors
The differential strategy itself	Improvement strategy	- price-sensitive consumers - consumers in search of purchasing occasions	- cost reduction potential - reduced-cost differentiation elements - management system focused on the quality improvement
	The specialization strategies	- well-informed consumers	- highly-specialized technology and personnel - growing quality-price ratio
	The cleaning strategies	- limited market	- flexibility in designing the products - compatibility in exploitation with other products
	The limitation strategies		- high reliability of the basic product

- The third generic strategy, the concentration strategy, has the following market characteristics: conservative consumers; technologically stable markets, geographically concentrated markets. We consider that the characteristic factors that could ensure the success on these markets can be the following: reduced costs, complex offer; aggressive marketing; specialized products.

From the category of inter-industrial strategies we will analyze the integration and diversification strategies.

The integration strategies can be of the following types: horizontal integration, vertical integration and mix integration. The manifestation of the forms of integration can be analyzed at the commercial level (of the distribution system) and at the production and technologies level⁴.

The horizontal integration is manifested on the markets characterized through a high complexity from the commercial and technological point of view, with a heterogeneous competition structure and sufficiently ample so that the size of the company constitutes a competitive advantage. The factors characterizing this strategy are: good financial capacity, flexible management system, compatible production factors.

The vertical integration supposes the existence of markets with reduced mobility barriers, strongly competitive from the perspective of costs and with a significant growth potential. The strategy is characterized through the following factors, favorable managerial competencies, significant financial capacity, efficient operational control.

For the mixed integration strategy we can cumulate both the market requirements and the characteristic strategic factors.

² C.Rusu, *Strategic Management*, All Beck Publishing, Bucuresti, 1999, pp.170

³ I. Ciobanu, *Strategic Management*, Polirom Publishing, Iasi, 1998, pp.156

⁴ O. C. Pricop, *Strategic dimensions in management and marketing*, Performantica Publishing, Iasi, 2011, pp.150

The diversification strategy has two forms of manifestation: the concentric diversification strategy and the conglomerate diversification strategy. The concentric diversification supposes entering relatively different fields of activity from the existent one, either from the perspective of the activity portfolio, or of products, or markets⁵. As a result, we consider that the reference market requirements (that the company initially acts upon), specific to this strategy, should be characterized through stability in order to allow the company to focus towards other related fields: maturity market, reduced competitive dynamics, reduced technological innovations rhythms, constant clients in consume manifestations. The characteristic factors of this strategy which offer the company the opportunity to apply it are: the high financial capacity, the managerial flexibility, strong company image. Since the diversity has a strategic sense when the reference field no longer offers you efficient development perspectives, and the company has reached the maximum competence level, according to the nature of the type of concentric diversification (technological, of products or of markets, we also add as characteristic factors either the high level of technological development, or the complexity of the range of products, or the high degree of market coverage.

The conglomerate diversification supposes approaching different fields of business which have very few or no elements in common with the field of provenience⁶. Even if apparently there is no reason referring to the market of reference of the company, of entering other fields, in fact this happens when the reference market no longer offers development perspectives or becomes risky. As a result, the requirements of the reference market specific to this strategy are: market in the stage of maturity or decline, high danger from the substitution products, or substitution technologies, significant potential competition. In order to be able to approach such a strategy, the companies must prove that they have the following characteristic factors: managerial vision, strong company image, transferable to other fields, potential synergic effect at the level of technologies or of the logistic system.

3. Establishing the potential of combining the managerial strategies

In order to identify the potential of combining the managerial strategies, we must analyze both the degree of similitude of the market requirements specific to them and the degree of complementarity of the characteristic factors.

We notice that the market requirements are materialized in 6 major directions: market size, market tendencies, consumers' behaviors, purchasing power, level and intensity of the competition, dynamics of technologies. For each direction we can achieve a 3-level analysis as follows:

- market fragmenting: fragmented, semi-fragmented, homogenous.
- the market tendency: growing, stagnation, decreasing.
- consumers' behavior: conservative/with low expectations, mobile/opportunistic, innovative/exigent.
- purchasing power: reduced, medium, high.
- dynamics of technologies: low, medium and high.

We can count these levels from 1 to 3. Synthesizing the market requirements for the approached strategies, the following centralizer results:

Table 2. Combining the managerial strategies from the perspective of market requirements

Market requirements	Level 1	Level 2	Level 3
Market size	Niche strategy Differentiation strategy itself Concentration strategy Conglomeration diversification	Frontal attack strategy Vertical integration Concentric diversification	Volume strategy Horizontal integration
Market tendency	Concentration strategy Conglomeration	Frontal attack strategy Niche strategy	Volume strategy Horizontal integration

⁵ R.R. Reeder, E.G. Brierty, B.H. Reeder, *Industrial Marketing, Analysis, Planning, and Control*, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1987, pp.155

⁶ M.E. Porter, *On Competition*, Meteor Press, 2008, Bucuresti, pp181-189

	diversification	Strategy of differentiation itself	Vertical integration
Consumers' behavior	Volume strategy Frontal attack strategy Concentric diversification	Horizontal integration Vertical integration Conglomeration diversification	Niche strategy Strategy of differentiation itself Concentration strategy
Purchasing power	Volume strategy Vertical integration Horizontal integration Frontal attack strategy	Concentration strategy Concentric diversification Conglomeration diversification	Niche strategy Strategy of differentiation itself
Level and intensity of competition	Concentric diversification Niche strategy Concentration strategy	Volume strategy Horizontal integration Strategy of differentiation itself	Conglomeration diversification Vertical integration Frontal attack strategy
Dynamics of technologies	Volume strategy Concentration strategy Concentric diversification	Frontal attack strategy Vertical integration	Niche strategy Strategy of differentiation itself Horizontal integration Conglomeration diversification

The market requirements afferent to the managerial strategies, both the generic ones and the inter-industrial ones can be graphically represented with the help of polar diagrams according to the following models (figure 1 and figure 2):

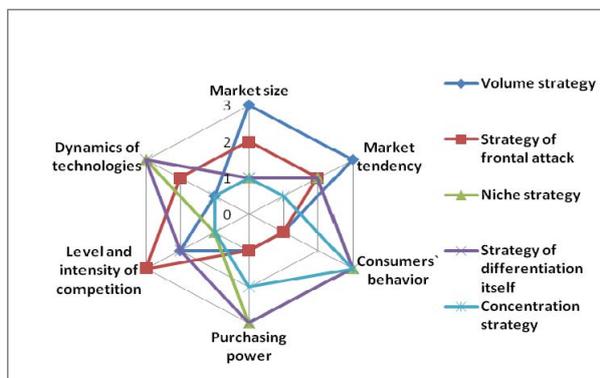


Fig. 1: Representation of generic strategies

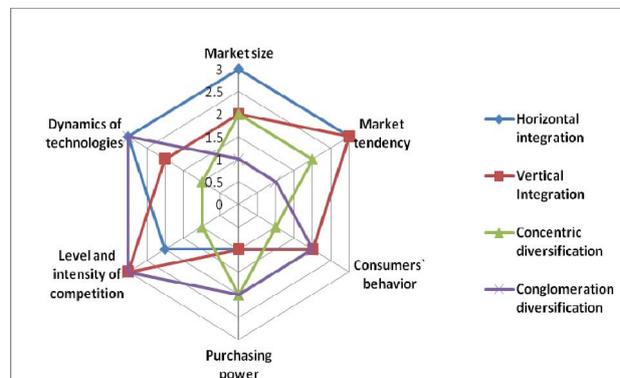


Fig. 2: Representation of inter-industrial strategies

We can graphically achieve combinations of any of these strategies. The graphical representation helps us notice the common areas from the perspective of market requirements for the managerial strategies.

In order to be able to analyze the characteristic factors in the sense of their complementarity we must define the common areas. We consider that the most relevant manner, in accordance with the strategic objectives of a company and with the manner of structuring the strategic analysis at its level is to choose common areas starting from the component activities of the value chain of an organization (in M. Porter's vision), which are divided into⁷:

1) *auxiliary or support activities*:

- Company infrastructure: general management, planning management, legal, finances, accounting, public relations, quality management etc.
- Human resources management: recruitment, development (education), retention and compensation of employees and managers.
- Technological development: research and development, processes automation, design, redesign.
- Supply: procurement of raw materials, service, procurement of pieces, buildings, machines/devices etc.

2) *main or primary activities*:

- Input logistics: inventory receiving, stocking, control, transport planning.

⁷ O.C. Pricop, *The analysis of the strategic objectives of an organization*, Economica Review, IECS 2011, Sibiu

- Exploitation activities: production, packing, assembling, equipment maintenance, testing and all the other activities that create value which transforms the inputs into the final product.
- Output logistics: the necessary activities to deliver the final products to the clients: depositing, delivery of orders, transport, distribution management.
- Marketing and sales: selection of the information transmission channel, advertising, promotion, selling, establishing the price, retail management, etc.
- Post-sale services: the activities that maintain and improve the product value, including: support given to the clients, repairing services, installation, training, management of pieces, upgrade etc.

Similarly to the process of synthesizing used for the market requirements, we can centralize the managerial strategies that can be combined from the perspective of the common areas identified:

Table 3 Combining the managerial strategies from the perspective of the specific characterization factors

	Volume strategy (VS)	Frontal attack strategy (FAS)	Niche strategy (NS)	Strategy of differentiation itself (SDI)	Concentration strategy (CS)	Strategy of horizontal integration (SHI)	Strategy of vertical integration (SVI)	Strategy of concentration diversification (SCD)	Strategy of conglomeration concentration (SCC)
VS	-	1.1.+1.4	1.2.	1.4.	2.4.+2.5.	1.3.+2.2.	1.4.+2.3	1.3.	2.2.
FAS	1.1.	-	2.3.+2.5.	1.2.+2.4	2.3.+2.4.	2.2.	2.1.+2.3	1.3.+2.2.	1.1.+2.4.
NS	1.2.	2.3.+2.5.	-	1.2.+2.4	2.3.+2.5.	1.1.	1.4.+2.3	1.3.	2.1.
SDI	1.4.	1.2.+2.4	1.2.+2.4	-	2.2.+2.5.	1.3.	2.1.+2.3	1.2.	1.1.
CS	2.4.+2.5.	2.3.+2.4.	2.3.+2.5.	2.2.+2.5.	-	1.3.+2.2.	1.4+2.1.+2.3.	2.4.+2.5.	1.1.+1.2.
SHI	1.3.+2.2.	2.2.	1.1.	1.3.	1.3.+2.2.	-	2.1.+2.2.+2.3.	1.3.	1.1.+1.2.
SVI	1.4.+2.3.	2.1.+2.3.	1.4.+2.3.	2.1.+2.3.	1.4+2.1.+2.3.	2.1.+2.2.+2.3.	-	1.4.+2.3.	1.1.+1.3.
SCD	1.3.	1.3.+2.2.	1.3.	1.2.	2.4.+2.5.	1.3.	1.4.+2.3	-	1.1.+1.2.+1.3.
SCC	2.2.	1.1.+2.4.	2.1.	1.1.	1.1.+1.2.	1.1.+1.2.	1.1.+1.3	1.1.+1.2.+1.3.	-

4. Conclusions

The process of identifying the market requirements and the factors characterizing the managerial strategies is useful from the perspective of understanding their compatibilities so that they can be combined. Thus we can create the so-called multiple strategies which capitalize the synergic potential of the individual strategies. Since the dynamics of the current markets is very high and it is difficult to use only one strategic alternative because of the complexity of factors continuously modifying the relationships between the economic agents, the multiple strategies have the advantage of the diversity of tactic and operational demarches and therefore a superior success potential. Moreover, the multiplicative effect is also found at the level of the sources of competitive advantages which can be combined in variants that increase their degree of uniqueness and relevance.

5. Acknowledgements

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