



The functional approach to strategic management

Abstract

Introduction. In spite of a large number of studies dedicated to various problems of strategic management, scholars differ on the content of the term «strategic management». To define it, an eclectic approach is used combining individual components of the strategy process with some functions of management, methods and important characteristics of goals and strategies.

Purpose. The purpose of this paper is to try to interpret the term «strategic management» based on the need for interrelationship and interaction of the basic and specific functions of management for the implementation strategy process.

Methods. The study involves the methods of scientific abstraction, structure-function analysis, morphological analysis, comparison, analogy and generalisation techniques.

Results. The paper analyses the theoretical foundations of managerial functions and their relation to strategic management. It studies approaches to defining the essence of strategic management. It also establishes that functional strategies of an organisation are ensured by performance of the specific management functions. It is shown that general managerial functions are used at the highest level of the organisational structure in order to address operational, tactical and strategic tasks. The interpretation of strategic management factoring in integrated performance of the basic and auxiliary management functions at the stages of strategy process implementation was specified.

Conclusion. Strategic management must ensure coherence and integration of functional and overall strategies at the stages of their formulation, adoption, execution, adaptation and revision.

Keywords: Strategy; Planning; Strategic Management; Managerial Functions

JEL Classification: L19; L20; M10; M19

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Сомов Д. О.

кандидат економічних наук, доцент, кафедра економіки та управління підприємством, Міжрегіональна академія управління персоналом, Київ, Україна

Функціональний підхід до стратегічного управління організацією

Анотація

У статті проаналізовано теоретичні засади функцій менеджменту та їх зв'язок зі стратегічним менеджментом. Досліджено підходи до визначення змісту стратегічного менеджменту. Встановлено, що функціональні стратегії організації забезпечуються виконанням специфічних функцій менеджменту. Уточнено трактування стратегічного менеджменту з урахуванням комплексного виконання основних і специфічних функцій менеджменту на етапах здійснення стратегічного процесу.

Ключові слова: стратегія; планування; стратегічне управління; функції менеджменту.

Сомов Д. А.

кандидат экономических наук, доцент, кафедра экономики и управления предприятием, Межрегиональная академия управления персоналом, Киев, Украина

Функциональный подход к стратегическому управлению организацией

Аннотация

В статье проанализированы теоретические основы функций менеджмента и их связь со стратегическим менеджментом. Исследованы подходы к определению сущности стратегического менеджмента. Установлено, что функциональные стратегии организации обеспечиваются выполнением специфических функций менеджмента. Уточнена трактовка стратегического менеджмента с учётом комплексного выполнения основных и вспомогательных функций менеджмента на этапах осуществления стратегического процесса.

Ключевые слова: стратегия; планирование; стратегическое управление; функции менеджмента.

1. Introduction

Management processes permeate various spheres of public life, regulating human activities at the personal, group and institutional levels. The objective benefits of using management encourage people to apply it in various areas of activities, to both maintain effective performance and to ensure more rational development.

Strategic management is responsible for the development of different areas relating to individual or organizational activities in the long run, rational building of resource potential, gaining sustainable competitive advantages, positioning and forming cultural values.

2. Brief Literature Review

Charles W. Hoffer and Dan E. Schendel who suggested dividing strategies by their levels into corporate, business and functional ones should be recognised among the classics of strategic management theory.

The essence of strategic management has been studied by Charles W. Hoffer and Kenneth J. Hatten, Arthur A. Thompson, and A. J. Strickland III). Robert M. Grant focused on the problem of strategic analysis.

G. Hamel, C. K. Prahalad, D. Collis, C. A. Montgomery, D. J. Teece, G. Pisano, A. Shuen, C. E. Helfat, V. S. Katkalo, J. T. Mahoney, C. E. Helfat, M. A. Peteraf, K. M. Eisenhardt, P. J. H. Schoemaker, A. V. Bukhvalov have studied the problem of the influence of strategic assets and organisational capabilities on strategy. They are representatives of the core competencies school, traditional resource concept and organisation's dynamic capabilities concept.

In recent years, scholarly studies on strategic management of an organisation have centered on strategy development based on knowledge, innovations and revolved around the specifics of strategic interaction of enterprises voluntarily coalesced into a network of value-added chains. Scholars

such as Nonaka Ikujiro, Takeuchi Hirotaka, D. Teece, B. Kogut, U. Zander, M. Subramaniam, N. Venkatraman and others have pursued research in this area.

Ukrainian scholars such as M. M. Martynenko, I. A. Ihnatieva, H. V. Osovska, O. L. Fischuk, V. M. Porokhnia, T. O. Bezemelna, P. L. Hordiyenko, Z. Y. Shershniova, V. L. Dykan, V. O. Zubenko and others have made their scholarly contributions to the development of strategic management theory.

3. Problem statement

Despite a considerable body of scholarly works concerned with the problems of strategy, the issue of the role and interrelationship of the basic and specific functions of management in ensuring the strategic management process remains insufficiently elaborated.

4. The purpose of the paper is to try to interpret the term «strategic management» based on the need for interrelationship and interaction of the basic and specific functions of management for implementation of the strategy process by organization's chief executives.

5. Results

Henry Fayol gave the classical definition of the content of the term «management» (Fayol, 1916). He believed (Fayol, 1916) that activities of enterprises can be divided into six groups of operations - technical, commercial, financial, security or insurance, accounting and management. In his opinion, the management operations involve forecasting, planning, organising, commanding, coordinating and controlling, that is the basic functions of management. Performance of the six specific functions is ensured by the process of leadership (or according to another translation version - governance) [1, 12] (Sheldrake, 1996) [2, 86, 91].

J. Sheldrake (1996) finds that H. Fayol (1916) tried to delimit management of operating and strategic levels. Leadership meant exactly strategic management [2, 91].

The interest of scholars in problems of strategic management of profit-making organisations emerged in the mid-1940s of the 20th century.

At the origin of theory development, studies on strategy centered on mathematical theory of strategic game that described economic behaviour of players [3, 79-84] (Von Neumann, Morgenstern, 1947).

Modern decision theory continues the wide use of the term «strategy» and its variety of types for the description of the rules of making optimal decisions [4] (Chornel, Hans Daduna, Knopov, 2005).

In 1962, Alfred Chandler (1962) gave a definition of strategy as part of the planned approach. He defined the term «strategy» as the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals [5, 13].

Scholars, the best known of whom are I. Ansoff, J. T. Cannon, D. Schendel and C. Hofer, W. Newman and J. Logan, D. Schendel and K. Hatten, A. Payne, W. Glueck, R. Ackoff, M. McNichols, D. McCarthy, R. Minichiello, J. Curran, G. Steiner, J. Miner, and Henry Mintzberg, until the 1970s devoted their works to issues of analysing, formulating and choosing decisions on strategy as part of the planning function execution.

The term «strategic management» was suggested in 1972 by D. E. Schendel and K. J. Hatten (1972) who interpreted it as «the process of determining (and maintaining) the relationship of the organization to its environment expressed through the use of selected objectives, and of attempting to achieve the desired states of relationship through resource allocations which allow efficient and effective action programs by the organization and its subparts» [6].

Analyses of the versions of defining the term «strategic management» suggested by different scholars shows the use of several approaches used to formulate the content of the term.

The first approach interprets the content of strategic management based on stages and procedures of its provision.

Strategic management is considered in the most generalised form as a combination of strategy planning and

implementation. Such understanding of the problem can be seen in the work by I. Ansoff (1979), who means by it two systems complementing each other - analysis and choice of strategic positions and management in real time of the system [7, 149].

In his other paper, I. Ansoff (1990) [8] uses the change management process to elaborate the content of strategic management stressing the importance of the introduction of a controlled strategy and adaptation.

Frank Rothaermel suggested similar components of strategic management (Rothaermel, 2017), i. e. a combination of strategy analysis, formulation and implementation in search of competitive advantage [9, 6].

G. Johnson, K. Scholes and R. Whittington (Johnson, Scholes, Whittington, 2008) give a definition of strategic management using other manifestations of strategy, but on the whole they follow the logic of the «analysis-formulation-implementation» strategy: strategic management involves understanding of the organization's strategic position, adoption of a strategic choice for the future and strategy management in action [10, 11-12].

Emphasizing positioning, scholars implicitly point out the importance of influence of market and sectoral factors on strategy.

The interpretation by A. A. Thompson and A. J. Strickland III (2003) represents an extended version of the strategic management process execution chain; they believe that strategic management comprises the management process of forming a strategic vision, setting goals, crafting strategy, introducing and implementing strategy, and, if needed, further adjusting the vision, goals, strategies and implementation [11, 6].

The second approach to strategic management places the emphasis on the ways of completing the strategy process stages.

I. Ansoff (1991) includes with strategic management types of activity aimed at organisational changes - entrepreneurial creation of new strategies for the firm, development of new organisational capabilities and supervision of transforming the firm toward its new strategic position [12, 7].

In his papers, I. Ansoff used an approach combining process components of strategic management with issues concerning strategic sources of sustainable competitive advantages and mechanisms for their gaining and exploiting.

J. Bracker, too, favors such a comprehensive approach to understanding the problems of strategic management (Bracker, 1980). He notes that strategic management provides for analysis of the internal and external environments of the firm for maximum utilisation of resources in relation to the goals. In addition, he explains the most important purpose of strategic management from the perspective of the dynamic capabilities concept: he provides organisations with a basis for developing abilities to forecast and get through changes, which helps develop abilities to cope with uncertainty about the future [13].

The third approach to strategic management has been taking shape from the mid-1980s. The problems of developing, exploiting and maintaining sustainable competitive advantages, their nature are crucial in the theory of strategy. This can be seen through the example of a number of definitions of strategic management.

E. Bowman, H. Singh and H. Thomas (2002) find that strategic management addresses issues surrounding creation and sustainability of competitive advantages or search for such competitive advantages [14, 31-55].

R. Grant indicates the importance of the relationship of the results of strategy introduction with factors of the external and internal environments of an organisation and the organisational focus (Grant, 2006) [15, 72-97].

Grant revealed the nature of the sources of effective strategies from the perspective of the resource-based view and dynamic capabilities concept. According to R. Grant (2010), strategic management provides for maximum utilisation of available resources and capabilities of the firm in order to maximise productivity for the moment, as well as

their development, i.e. to meet the requirements of the future [16, 460].

Richard Rumelt (1991) lays emphasis on the importance of internal organisational capabilities and resources for strategic management [17].

A. Eisner, G. Dess, G. Lumpkin and G. McNamara (2010) reveal the relation of the strategy process to reaching compromise in order to ensure efficiency and effectiveness of strategic decisions [18, 7].

J. Stead and W. Stead (2008) make a point of continuity of the strategic management process as its important feature. This is due to successive completion of the strategic management stages and the need for adaptation of the decisions made and measures aimed to implement them. Scholars also underscore that adaptation does not occur spontaneously but is deliberately directed subject to the limits and trend set by the organization's mission and goals [19].

M. Cox, J. Daspit, E. McLaughlin and R. Jones III (2012) have similar views. They are of the opinion that strategic management represents a process that comprises analysing internal and external environments, formulating strategies, and allocating resources to develop a competitive advantage in an industry that allows for the successful achievement of organisational goals [20].

It should be emphasised that Cox and his coauthors consider a competitive advantage as a means of achieving organisational goals rather than a purpose. These scholars overlook the stages of strategy introduction, implementation, adaptation and control.

Colin White (2004) also considers in detail the processes of diagnosing, formulating strategies, vision, goals, distributing and harmonizing tasks among functional areas, integrating plans and allocating resources [21, 596]. However, the scholar does not include strategy implementation, adaptation and compliance control with strategic management.

The fourth approach to strategic management is associated with explaining the management process by means of the basic and specific management functions.

F. David (2011) shows the interrelationship of the overall organisation strategy and its functional strategies in the strategy process: strategic management can be defined as an art and science of formulating, implementing and assessing cross-functional decisions enabling an organisation to achieve its goals. It is stressed that strategic management centers on integration of management, marketing, finance/accounting, production/operations, research and development, and information systems in order for an organisation to achieve success [22, 6].

It should be noted that the scholar considers coordination of functional strategies and plans among them, including their integration with the overall strategy, only at their formulation stage. The stages of introducing, implementing and adjusting strategy are not addressed.

To interpret strategic management, J. Higgins (1986) uses the administrative process aimed at accomplishing the organisation's mission factoring in its relations with the environment [23].

Administration is based on performing management functions, and at the highest level of the organisational structure in this particular case, which is usually responsible for strategic decisions.

John Parnell (2014) uses the functional approach to strategic management at the highest level of the organisational structure. He believes that strategic management is a process involving an analysis by top management of the environment, in which the organisation operates, as well as strategy development, strategy planning, implementation and control [24, 2-3].

D. Teece, G. Pisano and A. Shuen also employ the functional approach (Teece, Pisano, Shuen, 1997) meaning by strategic management a certain chain of interrelated managerial actions composed of four key links, which include strategic diagnosis, choice of strategic goals, strategic planning and

strategic control under which control data are indicative of diagnosing the state of organisation's development [25].

This group of scholars stresses the importance of strategic management for organisational capabilities responsible for adaptation, integration and reorientation of the internal and external skills, resources and functional competencies in accordance with the requirements of the changing environment.

The fifth approach to interpreting the content of strategic management is comprehensive.

According to Hofer and Schendel (1978), measures used in the strategic management process include shaping organisational goals, environmental analysis, strategy development, strategy introduction and strategic control [26, 27]. In their vision of the issue, Hofer and Schendel combine management tools and functions with strategic management stages.

I. Thompson and J. Rubin (1996) used a combination of the process approach to management, problems of managerial decision-making, and characteristics of the organisation such as its organisational structure, time scale and organisation's activities to describe the management processes and decisions that determine the organisation's long-term structure and activities [27].

Ukrainian scholars interpret strategic management using the comprehensive approach, which encompasses the important characteristics of this phenomenon. Thus, for example, I. O. Borysiuk and V. I. Pokotyliuk construe strategic management as a multifaceted, formal behavioural management process, which helps to formulate and implement efficient strategies that facilitate balancing relations between the enterprise and the external environment, striking a balance between the enterprise goals, capabilities and resources [28].

The analysis of the definitions of the term «strategic management» points to the fact that scholars combine individual stages of the strategy process with the individual basic and specific functions and emphasise various important characteristics of strategy but do not give a system definition showing the concurrence of the stages, functions and methods of strategic management. Inadequate attention is given to the functions of strategic motivation and strategic control, as well as to organisation strategy management.

However, organisations also use functional strategies ensured by performance of the management specific functions. Accordingly, the strategic management process must also cover them.

Performance of the specific functions of strategic management is assigned to structures relevant to each functional strategy under general coordination of the top managers of the organisation. The number of functional strategies depends on production complexity, the number of the areas of activity the organisation carries out.

We suggest regarding the strategy process as a concerted interaction of the basic and specific management functions. They comprehensively complement each other's action and need prepared guiding influence on the part of the organisation's management team.

6. Conclusions

The strategy management process must be ensured by fulfillment of all basic and specific management functions.

We suggest considering strategic management as a permanent influence of the managing entity (entities) on implementation of strategy cycles, which comprises stages (diagnostic, strategy formulation, specification of its implementation in plans, strategy introduction, support for its implementation, adjustment of strategy components, and strategy revision, if necessary), by performing the basic (strategic analysis, strategic planning, strategy implementation, motivation for strategic activities, strategic control and strategic regulation) and specific functions (activities aimed to craft, align, integrate and implement functional strategies according to their relevant issues), by using suitable methodological tools (methods, techniques, principles for implementing the basic and specific functions with respect to strategy) at the hierarchical level of the organisational structure of management responsible for making relevant strategic decisions.

The distinctive feature of strategic decisions is that they exert guiding influence on decisions made by lower management levels and are restrictive for other (tactical and operational) decisions of the highest management level.

7. Recommendations and areas of further research

General management provides for employing several groups of methods to perform management functions. The general principle relating to effective application of methods consists in their integrated coordinated use. We believe that

this assertion holds true for decisions made at any hierarchical level of the organisational structure of management and in any functional area of activities of an organisation, in particular, for strategic decisions too.

Given the above assumptions, an inquiry into the possibility of using schools of strategies suggested by Henry Mintzberg represents an interesting line of research for elucidation of a suite of agreed methods aimed to provide strategic management.

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