

## THE ROLE OF STRATEGIC ANALYSIS IN THE GROWTH OF THE COMPANY

**Venet Shala**

AAB College, Faculty of Economics, Pristina, Kosovo, [venetshala@hotmail.com](mailto:venetshala@hotmail.com)

**Luaneta Beshiri**

University “Hasan Prishtina”, Faculty of Economics, Pristina, Kosovo, [luanetabeshiri@gmail.com](mailto:luanetabeshiri@gmail.com)

**Abstract:** The strategic analysis are perceived differently in different markets and economies; therefore there is a need to understand these analyses at a local level when there are significant technological changes as well as scientific and economic changes in a market and economy. They are one of the starting points of strategic management, which help the company to predict the future which should be managed. Every business needs to adapt to its competitive environment in order to survive and also succeed in the market. On the other hand, the world is in a constant state of change, regardless of what type of business field it is. Environmental change can be driven by the forces of consumer needs, technological innovation, economic growth, politics and much more. Adapting to the changing environment is the biggest challenge any company can face. The top management of any enterprise must understand, anticipate and manage these changes in order to survive and achieve competitive advantage over others. Identifying and selecting tools, techniques, methods and strategic analysis is a very important process for management, because by identifying the most appropriate strategic analysis, the selection of appropriate strategies for the company is made and these strategies then determine the actions that management must take to meet the business goal. Therefore, the purpose of this paper is to highlight the role and importance of strategic analysis, strategic tools, techniques and methods, not leaving aside performance enhancement as a key point of business development that depends precisely on the definition of strategic analysis. A strategy is analyzed, implemented and controlled in order to guide and achieve the vision, mission and adoption of enterprises in a changing environment. It is important to choose the right strategy which can lead to the success of the short-term and long-term objectives and goals of the enterprise. Many strategies fail because managers formulate and implement strategies without analyzing its external and internal environment. Strategic analysis is a process of conducting research in the business environment within which an organization operates in order to formulate strategy. There are divisions, ways, perspectives and different methods of strategic analysis, which identify and evaluate the products of a company, determine the characteristics of the strategic position of the company or strategic business units, determine long-term goals, generate and select optimal strategies of the company, power competitive as well as identifying the internal and external environment of the company in general. Every company should pay attention to the role of strategic analysis, as in this way they can manage to build their current and future position, identifying the factors of internal and external environment.

**Keywords:** strategy, strategic analysis, strategic management, business purpose, company environment, distinctive competences.

### 1. INTRODUCTION

There is no doubt that strategic tools, techniques and analysis are an important part of the strategic management process. One of the starting points of strategic management is strategic analysis which helps the company to be more stable, flexible, innovative and relevant. They help the company identify strengths, weaknesses, opportunities and risks, components that are essential for business survival and growth. For decades, strategy and strategic management has been an important area of management in the private sector (Gina Grandy and Albert J.Mills, 2004). Every organizational strategy must determine where the company wants to be in the future and objectively assess where it is now to decide how to get there; taking into account options, alternatives, available resources and necessary changes. A good strategy is a coherent set of analyzes, concepts, policies, arguments and actions that respond to a high-risk challenge (Rumelt, 2012). The main factors that management should consider when drafting strategies are: decisions for defining strategies should be in line with the activities carried out by the company, to adapt to the environment where the business operates, avoiding threats coming from the market and in accordance with the resources available to it, whether human, physical or financial and to be approved by senior management. Strategic analysis being one of the key points of strategic management is also one of the essential issues which directly affect strategic decision-making. This decision-making which at the strategic level is extremely difficult and requires a set of new skills and approaches. Strategic analysis as an internal part of strategic decision-making should be based on the implementation of strategic thinking. Through strategic analysis it is necessary not only to look for specific characteristics that will characterize the future but mainly to discover the factors that will cause changes in the environment. The role of strategic analysis focuses primarily on examining the effect of key critical factors

causing changes in the environment and consequently allowing the prediction of changes in the environment. The basis of strategic analysis is not only the ability to distinguish past, present and future but above all, the ability to distinguish the weight of the influence of the factor under the influence of time. The process of a competitive strategy is to develop the broad formula of how a company will complete what should be their objectives (mission or objective) and what policies will be needed to achieve those goals (Porter, 2008).

Today a large number of tools, techniques, models, methods and strategic analysis are commonly used by various businesses. Some of the most popular ones are: external strategic analysis, internal strategic analysis, SWOT analysis, strategic market position analysis –SPACE matrix, PESTEL analysis, analysis of Porter’s five forces, large strategy matrix – QSPM matrix, etc. In strategic management, we usually know the strategic management process, in which strategic decisions are based on understanding and anticipating the development of the environment as part of the strategic analytical phase (Jozef Papula & Zuzana Papulova, 2015). Many companies fail to meet their revenue and profit growth targets. However, the probability of achieving a profitable growth increases whenever an organization has a well-analyzed strategic analysis to adapt to the changing environment. One of the important issues of strategic management is the adaptation to change, the strategic analysis which serves the organization to increase performance, the main goal is to adapt to changes in the environment, either the external one in which it can not influence but, only needs to adapt or even the internal one in which it can influence and change its implication. Therefore, it is very well said by the well known author that strategic analysis enables us to assess the initial situation, to assess the situation inside and outside the company, to discover the factors that will cause changes in the environment (David, 2013). Analysis should be considered a valuable approach to increasing competitiveness and innovation in terms of company operation and management. Therefore, the main purpose of this paper is to identify and present the relationship between the theoretical aspects of different authors in the world and different researchers regarding the role and importance of strategic analysis in the growth and development of the company’s position. The specific objectives of this paper are: to provide new knowledge on the role and activities to developing strategic analysis in emerging markets (macro-environmental perspectives); to better understand the capabilities and role strategic analysis in increasing company performance (micro-environmental perspective); to determine the impact of the role of strategic analysis on increasing the performance of enterprises.

## **2. MATERIALS AND METHODS**

To achieve the purpose of the paper the data were obtained from secondary sources. Articles, research papers, annual reports, websites and studies conducted on strategic management. This paper is based on available statistics on aspects such as increasing company performance, the most well-known and used strategic analysis by companies and their impact on increasing profitability, distinctive competencies and performance. Based on the literature review, the main purpose of our research is to assess how managers in current practice approach strategic analysis. During this paper, the deductive approach of research was used, starting first with the review of the existing literature regarding the role of strategic analysis, the factors of these analyzes in increasing business performance and other measures and practices related to strategic analysis as a key point of any business.

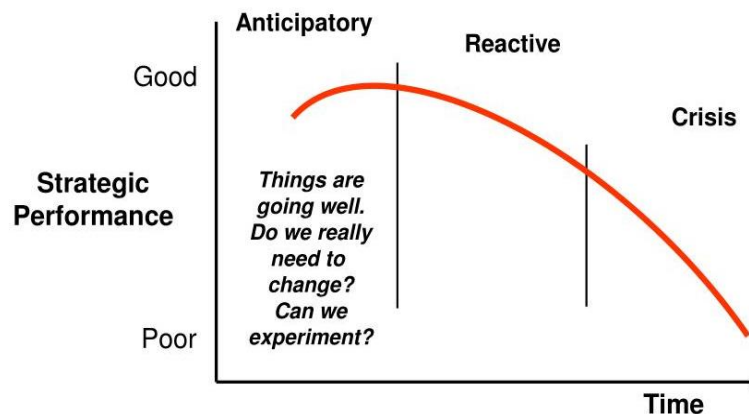
## **3. RESULTS**

In our research we were interested in the role and importance of strategic analysis of what kind of factors and environmental information managers consider and consider when approaching important strategic decisions. Perception and cognition, as well as the collection and analysis of information are the basis for thinking and decision-making in the context of human thought, and thus as the basis for the development of strategy and strategic analysis. Strategic management theory suggests starting with understanding, analyzing and anticipating the development of the environment before making strategic variants and making strategic decisions. Theory also offers a wide apparatus of techniques, models, methods, analyzes that can be used in strategic analysis. The term “environment” is a very broad term. If we want to examine environment, we must approach is systematically. It is useful to classify the specific layers of the environment and the effects of factors that influence the choice of methods and techniques of strategic analysis. In theory, we usually know the macro level (e.g. economic, political, sociocultural, technological factor and legislation), the micro level (e.g. Industry, competition, external stakeholders) and the internal evaluation of the enterprises (e.g. finances, internal processes, products, human resources, organizational culture). From theory, the strongest interest lies around the five main factors that the manager considers and analyzes, factors that are financial and economic development, then people in the company, their skills and performance, product satisfaction and overall company performance, while following the vision and mission of the company. If we compare these factors with the techniques in strategic management, many of the factors are similar to the factors in PESTEL analysis, Porter’s five force model, SWOT analysis, performance measurements, business model analysis. But, not all companies value all the factors or do not focus on factors from

the whole environment inside and out and some factors are less important to them. Based on the many studies reviewed in this research most of them or not to say about 90% emphasize the importance of strategic analysis in companies. But, due to the variety of problems related to the specifics of each business, there are different problems faced by different managers and companies: there are many strategic methods, techniques, analyzes, models, tools and recommendations form the theory and practice of strategic management with which managers are unfamiliar or do not know how to implement them properly. Based on literature review, various studies, and from today's practice, small firms often provide analysis largely based on their experiences, intuitions, and with a narrow approach to the factors they need to analyze. Another problem is the problem of communication and information gathering, division, processing and selection. Incomplete misleading or incorrect information affects the results of the analysis and thus the final decision. There is a need for systematic approach; for information verification and for proper work with data and information. In many companies, information systems must also be part of the process to improve the selection of strategic analysis, models, techniques and various methods that improve strategic-decision making. For many managers, the most difficult part is predicting and evaluating the consequences of strategic analysis and the various methods implemented due to the dynamics of the environment. Many managers of different companies in the world admit that nowadays the macro level of environment has a strong impact on their businesses and strategies (mainly economic situation, innovation and technology development) although in many companies the focus is mainly on the actions of competition, the battle of competition between companies in the market, and managers are thinking more in terms of price wars and the impacts of customer behavior and marketing activities in the country. Of particular importance during strategic analysis is adapting to changes in the external environment in which there is no influence from the human hand or the company itself, but we must adapt to it by analyzing its impact and finding the best strategies for the growth and development of the company. Also, no less important is the internal environment which has a fairly large implication in the selection of strategies for growth and development of a company. This environment in which we can influence and change those things to reach the best alternative strategies.

Based on different theories, so one of the important issues of strategic management is the change curve. Figure 1.

*Figure 1. Change curve*



Source: Nicky Fry and Peter Killing, Strategic Analysis and Action, Fourth edition, Prentice Hall Canada, 2000

The change curve is a very important model for understanding the stages of change in the company by helping top managers to anticipate and react to change, in order to help them make the necessary changes and have it full support. When the company is in the forecast phase or time and has a good strategic performance, then the need and opportunity for change should be considered. Whereas, when the company is in the reactive phase or time and has a moderately good or not good strategic performance which is heading towards decline, then managers should start taking action about the changes that need to be made in the company to select the best alternative routes. And the most critical phase in which company can be found is the crisis management phase, a phase in which strategic performance is at its lowest level and forces the managers of a company to take swift action to respond to changes in the environment to get the company out of a difficult situation, and to choose the best strategies for managing the situation. There are several strategies and many tools that support each of them, however, the strategist must know

and determine, based on the analysis of the internal and external environment, what are the best strategies that allow to achieve a competitive advantage over competitors of the same company.

According to the data collected from the theoretical research, the implementation of strategic management in business is of great importance for the development of the company, because the realization of a strategic planning determines the vision, mission and purpose of functioning as a company. It is very important that during the design and implementation of strategic analysis the strategic management to take into account several factors ranging from activities that develop the environment, that operates and the resources that the business has, so that the decisions it makes bring the desired results and to avoid mistakes that may occur during the implementation of strategic analysis.

#### **4. CONCLUSIONS**

There are many management magazines and books in which strategy and strategic analysis are seen as the key to a successful venture. Only recently has strategic management attracted the attention of many managers in all sectors, both public and private. Changes in the environment have an exponential tendency. In the past, change was slower and there were less dynamic markets. Today, change is faster and brings more diverse trends. Changes such as innovation, globalization, changes in legislation, culture and many changes in other parts of the environment bring new opportunities for the development of companies, but also at the same time they imply threats. Monitoring, researching and forecasting environmental development has become increasingly difficult, and these difficulties also affect strategic analysis. According to researchers and various studies, strategic analysis brings important information about the assessment and development of the environment and also reveals the opportunities and potential threats that need to be considered in decision-making. In our research we studied and examined the role of strategic analysis, their impact on company performance as well as the strategic decision-making process, especially in terms of the type of information and factors involved in strategic analysis. We have also summarized the main problematic areas of strategic analysis. Some of the problems are related to the narrow view of environmental analysis, to the selection and processing of data and information, to the constraints caused by centralization or policy the organization.

#### **5. RECOMMENDATIONS**

Strategic analysis is an important tool for building the current position of various businesses, before they develop strategic plans for the future direction and growth. In this paper, presented some important approaches and aspects of the role of strategic analysis in increasing company performance. Every management must anticipate and monitor the changing environment in order to formulate and adjust strategies according to these changes.

As the importance of strategic analysis is very high, their volume is different from company to company and depends on the process of the strategic development program, which the company will organize and use.

Regarding strategic analysis, some recommendations that can be given in terms of role and importance:

- The importance of strategic analysis is very high as they affect a company to make timely and effective decisions for the future.
- A company's strategies should be carefully implemented and should be based on strategic analysis of the company's environment.
- Every company should pay great attention to strategic analysis, due to the fact that the formulation of an effective strategy is based on its complete strategic analysis.

Strategy is based on social processes and intuition but also rational analysis and that strategic management is not just about rational planning but much more about learning how resources, stakeholder expectations and contextual factors interact. Strategies that are designed in order to be successful must contain three main elements, be designed based on the market with the opportunities offered by the internal environment and the implementation of the strategy to be done carefully avoiding mistakes that may occur.

After all, what is important to notes the fact that strategic analysis researches all the data within and around the company, which are important to it, its development, gaining strategic position and actions.

#### **ACKNOWLEDGEMENTS**

This paper relied on many research studies, books, conferences, articles and reports from various fields in this field. For the successful completion of this research we thank all the supporters who made a special contribution. A special thanks goes to the family, the main supporter for the start and successful completion of this work. Thanks to everyone for your support!

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