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Management in crisis and pacific periods: strategy or tactics?

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Abstracts:

The strategies change when there is a crisis in the economy. This is a common phenomenon. There are different opinions of researchers. The former say that the strategy must change in order to defeat competitors. Others write that the strategy is unchanged because it is too costly and difficult for the company. We have analyzed Russian companies. Managers often adjust or cancel strategies ahead of time. These are changes in goals or methods and the deadline for achieving them. We have not identified any fundamental changes in planning approaches during the pandemic and the imposition of sanctions. Strategies also adjust during a pacific period. Probably, Russian companies are in "crisis" often. Their strategies transform into tactics. We propose to change the approach to the strategy format so that it becomes more sustainable.

Keywords: strategy, tactic, strategy planning, tactics, crisis, turbulent period, Russian companies, long-term planning, strategic period

1. Introduction

Modern markets function in the VUCA world. The company is forced to constantly adapt to various changes in the environment, user requests, attacks by competitors, changes in legislation, and so on.

Crisis phenomena in the market even more require the adoption of urgent measures. Such measures may be measures to prepare for similar events in the future or reactions to changes that have occurred.

In strategic planning, there are two approaches to implementing a strategy. The first approach assumes the possibility of adjusting the strategy in the process of implementation; the second suggests that this is difficult. Both approaches use in crisis conditions. And this is obvious. Management can change long-term goals or react within the accepted strategy (fig. 1).

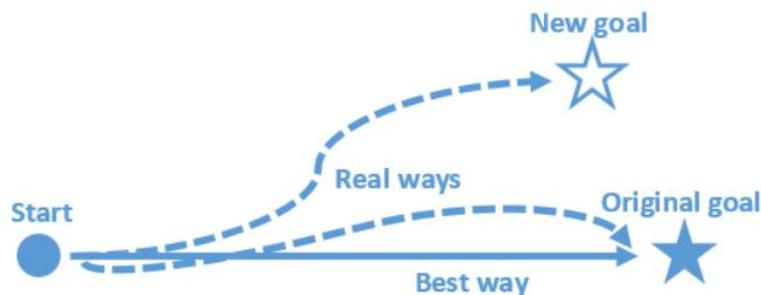


Fig. 1. Strategic implementation ways

For example, after the start of the pandemic in 2020, some managers said that in such conditions it was impossible to plan for years ahead. In other words, companies need to abandon strategy and manage ad hoc or operational.

The company may adjust its plans to meet market changes or keep them unchanged. Indeed, our data show (Kobylko, 2022) that planning helps to overcome difficulties: companies with a strategy are more likely to describe their state as more positive than those companies that do not have a strategy and are managed chaotically in a manual mode. However, adjustments apply in calm periods too, without crises.

Some researchers assert (Auzan, 2017; Baylis, 2022, p. 95) that the tactical planning style is typical for the macroeconomics of Russia. At the same time, large Russian companies declare that they have a strategy. The term of their strategies refers to the long-term period, but depending on the functioning of the industry.

We will consider their behavior during the crisis and compare them with other periods when turbulence of the environment was minimal.

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2. Methodology and data

We have combined theoretical recommendations and analytical data on the implementation of the strategies of Russian companies. The study basis is on the classical and modern researches of strategic planning. Our analysis showed that the theory does not give an unambiguous answer to the question: is a change in strategy necessary?

The book (Grant, 2016, p. 15) says that modern strategy transformed into setting priorities and goals, because it is impossible to clearly allocate resources in a changing environment. Its representatives include, for example, M. Porter, who argues that the strategy should change regularly (Porter, 1996). This is the only way to beat your competitors.

H. Mintzberg described a dual strategy. The first part of strategy is the originally, the second part is a reaction to changes (Mintzberg, Ahlstrand, Lampel, 2001). It is impossible to foresee

everything in advance, so it is necessary to adjust the strategy in the process of its implementation.

The second approach assumes that the strategy should be implemented without changes. Such representatives include the approach of G. Kleiner (2008). He argues that abandoning an executable strategy is difficult or impossible at all.

I. Adizes (2004) says that a strategy cannot be corrected often. Then it becomes a tactic. This is an average opinion about the possibility of adjustment and change of strategy. I. Ansoff wrote that the strategy changes if the conditions in which the company operates change too (Ansoff, 2007). The monograph (Dyer, et al., 2020, pp. 2-3) says that a strategy is a dynamic plan, a set of reactions to market changes. A competitive company must change all the time, adapt to customers.

We claim, that the strategy corrects in relatively non-crisis years (Kobylko, 2022). For example, the 2019 survey "Enterprise Strategy: Structure, Format, Milestones" showed that most Russian companies are ready to change their strategy. During this period, 17% of respondents answered that the strategy will be changed or adjusted in the course of its implementation; 73% of respondents answered that the strategy will be adjusted if necessary. Only 6% of enterprises do not change their strategy for the entire period of its implementation.

Another survey 2019 by ProductSense showed that 25% of domestic companies review their strategy once a quarter and another 26% once every six months. As a result, the final version of the implemented document, with all the amendments, may differ significantly from the originally adopted one.

3. The research question(s) and methods

Is it possible to argue that changes in strategy are justified in practice only in the event of a crisis? Alternatively, should the company constantly change its long-term plans and goals? Alternatively, should the strategy be the same throughout?

There are various reasons for changing plans. This is poor forecasting, unwillingness to execute the decisions made, a long term of the current strategy, a turbulent market as a whole.

We distinguish two types of strategy revision. They are adjustments and replacements. The adjustment of the strategy is a partial update of a number of indicators of this document. However, we cannot know how radical such changes are, how they change the previous strategy. In addition, we cannot know when such adjustments were made and how often. Replacing a strategy is a public moment for large companies, which is a PR event for investors, etc. This can be a case when a strategy implements ahead of schedule if its goals achieve ahead of schedule. However, more often, the company's management does not indicate the reasons why the strategy replace.

In our opinion, the answer depends on the form of representation of the strategy. The definition of strategy comes down to three concepts. The first one is the strategy as a goal, which the company forms and follows it for several years. It is a direction, a vector (Johnson, etc., 2020) or a target in terms of revenue or market share. In the book (Chase, 2020, ch 1), it is understood as betting on something that will help you beat your competitors.

The second is strategy as a behavior model. It describes the rules that follow the entire duration of the strategy. H. Mintzberg argues that strategy is a model in the decision flow (Mintzberg, 2008, p. 7). Similarly, G. Kleiner writes that a strategy is a set of agreed long-term decisions (Kleiner, 2008).

The third type is strategy as a sequence of actions or a set of key short-term decisions. It is a plan that must carry out step by step during the implementation of the strategy. For example, in the article (Kenny, 2018) written that the strategy can be implemented using six elements that describe the algorithm for the formation and implementation of the company's plan.

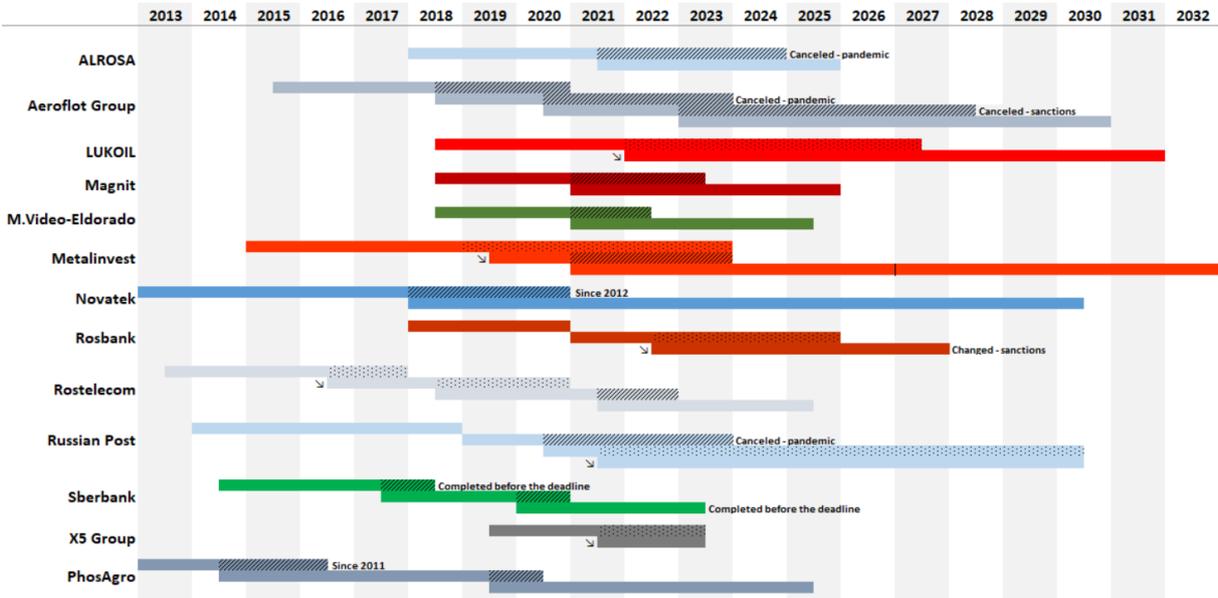
Conditionally, the definition in monograph (Thompson and Strickland, 2001) attribute to this approach.

Obviously, there is a synthesis of the three concepts. For example, M. Porter defines strategy as a goal and rules for following it (Porter, 1996). A. Chandler wrote that the strategy should not only indicate the goal and objectives, but also allocate resources and form a path to achieve the goal (Chandler, 1963, p. 13).

In practice, a company's create strategy from a set of goals, objectives, long-term solutions, achievable targets and, sometimes, tactical action sets. The main question is in priority: what is more important and what is subordinate? These are descriptions of a goal or a way to achieve it. Different companies build their strategies in different ways. Some firms determine the priority of the goal; other firms activate their resources.

We will clarify that companies create time-limited or time- non-limited strategies. In the first case, the strategy forms for a certain period. This is the most popular approach. However, it often leads to early abandonment of the strategy. In the second case, the strategy does not have a clear end year. Management executes the strategy as long as it is relevant.

Large Russian companies often have limited strategies. But their management corrects or changes them ahead of schedule (fig. 2).



Note: dots – strategy adjustment; hatching – strategy cancellation

Fig. 2. Strategic duration of large Russian companies

Some strategies were regularly changed to new ones. For example, Rostelecom, PhosAgro. Other companies are constantly updating strategies.

But few firms have done so because of the pandemic or sanctions. They stated it directly. There were Aeroflot Group, ALROSA, Rosbank, Russian Post, VK Group.

We have examples of early fulfillment of the goals of the strategy. These are Sberbank, Rosbank, etc. Companies report that the strategy implement full, but a year ahead of schedule.

We have positive examples of strategy implementation in any period. For example, the 16-year strategy of Russian Railways and other large infrastructure companies. It can be oil, gas and coal companies. But not all. Gazprom and Gazprom Neft apply a rolling strategy, regularly adjusting it.

Russian companies have cases of time-non-limit strategies. Rosneft and MMK Group had strategies that did not specify an expiration year. Their implementation lasted for many years,

exceeding the strategic period. We assume that during these intervals their strategies withstood periods of crisis.

4. Results

The theory shows that there is no consensus on crisis strategy in the end. Undoubtedly, the enterprise can and should respond to the turbulence of the environment. Business practice offers options for abandoning the strategy, and updating it, and maintaining previously adopted plans. We cannot say for sure that there has been an increase in the number of policy changes in the period from 2020 to the present. There are isolated examples of such behavior. However, they were before the pandemic.

The study shows that due to the crisis phenomena of recent years in Russia, no significant changes have occurred. Companies are canceling and updating strategies in the same way as before. We can probably say that Russian enterprises are always in a state of "crisis". Strategies execute often for half or more of the term, but no reasons for early refusal are voiced. They are unpredictable market changes, early achievement of results, crisis phenomena, chaotic management of top management and more. But the long-term development cannot function like this.

Companies have at least two ways to respond to market changes. The first way is to keep the strategy unchanged during periods of turbulence, and refuse only as a last resort. Tactics change so that strategic goals achieve. The second way is to change the strategy. In fact, we have a case of refusal of long-term planning. We see that many large companies use the second way. Their strategies can be described, firstly, as medium-term management, and secondly, with a simple rejection of a previously executed document. Different response approaches have different shaping concepts. It can be a target approach as the achievement of this indicator or a strategy as a set of rules. We are sure that the second approach is more stable in crisis periods (Kobylko, 2022). It does not require an immediate abandonment of the strategy in case of changes in the market.

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