

# MANAGEMENT COMPETENCES IN THE PROCESS OF STRATEGIC MANAGEMENT\*

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The article focuses on management competences in the process of strategic management, primarily in the phase of corporate strategy formulation. It is supported by the findings of surveys carried out during the last few years among Czech managers as well as foreign surveys. The selection of a strategy and its subsequent implementation are among the key factors of company's success. Over the two last decades in particular companies have witnessed dramatic changes due to the intensification of competition and growing customers' demands. To achieve a competitive advantage, it is not sufficient to offer value for money. This is now perceived as an ordinary service. A company top manager of today has to make decisions without sufficient information about the future world as comprehensive information systems and analytical methods are unable to provide it. This information and methods have to be combined with experience and intuition. However, the experience gained in the past is not necessarily applicable in deciding about the present or the future. Similarly, management competences become obsolete and have to be reviewed. The problem is which of these management competences are to be abandoned and which are to be acquired with respect to the future.

competence; strategic management; strategic analyses; knowledge; decision-making

## INTRODUCTION

Several factors have been identified influencing entrepreneurial entities in almost all parts of the world since the middle of the 20<sup>th</sup> century. For the last fifty years, the impact of these factors has been constantly growing and since the 1980s their power has truly surged. The main factors include market globalisation, competition intensification, speed of changes (time factor), development of new products and industries (innovation), changes in the sale of products and the impact of the government and international entities on business activities.

These factors are becoming increasingly important as regards their power, speed of changes and their direction. To characterise the entrepreneurial environment and changes that determine it, terminology used in other scientific fields was introduced in the 1970s – discontinuity, turbulences and chaos. They are supposed to give an impression that currently occurring events are quite dramatic. The development in the last few decades has been gradually shifting and rather than simulating the movement of a curve or a spiral it can be defined as a twisting, unexpected and bifurcating process that is difficult to forecast. According to D r u c k e r (1994) the only certainty is that the future will be different from what we have today.

In relation to managers, changes in the outer environment of a company reflect in phenomena that may be divided into four basic categories.

1. Phenomena, systems and subsystems with frequently contrasting behaviour gradually interconnect. In order to succeed in the competitive environment, companies

are forced to develop virtual and time-limited systems (alliances, networks) where core competences are mutually shared and used. To cope with the complexity, managers must be able to see things in a general context, without concentrating their attention solely on their own company or its part. At the same time dealing with this complexity and managing such a comprehensive system requires managers to break down this complexity into individual sections and thus to isolate it in a way.

2. Another common phenomenon is the continuous shortening of cycles of changes. The theory of lifecycles of products, industries and companies is often no longer valid. Successful businesses launch new products at the time when marketed products are at the peak of their lifecycles. K i e r n a n (1995) calls this autocannibalism. The goal of this strategy is to place an innovative product on the market ahead of competitors. The lifecycles of individual industries are not foreseeable either. For example, the boom in the Chinese economy led to a worldwide rise in iron production despite the fact that in terms of its lifecycle the industry was considered to be on the decline. The shortening of cycles and their rapid closing require managers to be well-versed in international trends, to be able to flexibly react to changes or, even better, to create changes.
3. Sudden, unexpected and often unrepeatable changes in the business environment produce unconventional situations the managers have to solve. The uniqueness of the solution arises from the situation itself and simultaneously they are required to come up with such

\* The paper was supported by a grant project of the Ministry of Education, Sports and Youth of the Czech Republic No. MSM 6046070904 – "Information and Knowledge Support of Strategic Management".

a solution that will help to strengthen the company's position in the market and with respect to its competitors. The complexity of management requires the ability to work in a team and mastering of a broad scale of interpersonal relationships. An important prerequisite for managers is their self-knowledge.

4. The intensification of competitive pressure, business globalisation and pressure on managers' personal success require both mental and physical resistance, readiness and ability to cope with crisis situations both in personal and company terms, ability to react in extraordinary situations and simultaneously to be creative and able to search for and find new methods.

It is more and more common that people become the source of competitive advantage as they are an asset which is, under certain circumstances, the most capable of adapting to the changing conditions. This regards not only individuals, but people as a system that influences corporate values, corporate culture and corporate strategies. People not only set company goals, but they are the only ones who can accomplish them. People in a company must possess the necessary competences that are characterised as a "set of employees' behaviours that have to be applied in the given position in order to perform the tasks associated with that position in a competent way" (W o o d r u f f e , 1992). Changing external conditions require a change in company goals and thus in tasks leading to their achievement. This in turn requires quite different competences in time and their modification.

Human competences (K u b e š et al., 2004) are composed of a set of knowledge (gathered information), skills, know how, experience, preferences, personality styles, temperament, traits (stable reactions to situations or information), intelligence, motives, attitudes, values, talent and self-perception of the given person (building of a system of values with respect to the surrounding world and with respect to the person themselves) in relation to organisational aspects that reflect in specific behaviour. It is necessary to add that this set relates to a certain time moment and the person's motivation to use it determines its manifestation. Simultaneously, behaviour is a result of a conflict of motivation and potential behavioural barriers (external limitations), i.e. the willingness and ability to overcome such barriers.

## OBJECTIVES AND METHODOLOGY

The aim of the article is to identify factors that negatively affect the formulation of corporate strategies and in connection therewith to define requirements for management competences. Another goal of the article is to identify problems associated with strategy formulation and their impact on competences. To achieve this goal, secondary resources (outcomes of foreign surveys), semi-standardised and non-standardised interviews with managers of Czech companies and workshops with managers and advisors in the field of management have been used.

## RESULTS AND DISCUSSION

### Process of strategic management

In his famous book "Corporate Strategy" written in 1965, Igor A n s o f f said that "the outcome of strategic management is apparently simple". By the outcome he meant the formulation of a corporate strategy aiming at success. C r a i n e r (1998) adds that "while the outcome was simple, the preceding processes and decisions had created a true labyrinth out of which only the most engaged managers found way". Having in mind the "rather calm" period of the 1960s and the changes that have taken place since then, the above statement must lead to an impression that at present, with all the currently occurring factors and unknown future factors, strategy formulation must be restricted to the use of the trial and error method.

There are a number of approaches to corporate strategy formulation and implementation. In company practice one of the most commonly used approaches, more or less modified, is that of T h o m p s o n and S t r i c k l a n d (1996), as shown in Fig. 1. It is also known under the acronym MOST (Mission, Objectives, Strategy, Tactics).

An important positive feature of this approach is that it views the process of strategic management as a continuous process with the possibility of returning to one of the previous phases if the anticipated success does not arrive. On the other hand, this rather simplified process has been subject to criticism. "In practice, the real process of strategy development and specification of the direction is much less organised, is more experimental in character, is the clearest, iterative and its dynamics is determined from below upwards ... there are five reasons to reject the MOST approach. Firstly, the competitive economic system in which companies operate creates barriers that are often interpreted as goals. Secondly, strategies and goals are interwoven, not linear. Thirdly, it is useless to separate strategies, tactics and processes. The ideas for value creation arise from detailed operational processes as often as from broad strategic conceptions. Fourthly, academics and consultants differ in their opinions on how to best develop and support these inputs. Fifthly, there are also various opinions on how to best implement a strategy in an uncertain world" (C a m b e l l et al., 1990).

### Strategic analyses

Strategy formulation in the process of strategic management is quite often presented as an outcome of a number of analyses of the external environment (identification of threats and opportunities), the internal environment (identification of disposable resources in relation to the achievement of goals) and stakeholders (searching for support for and elimination of aversion to the strategy). Strategic analyses demonstrate a number of shortcomings that are subsequently mirrored in strategy implementation as well as the level of goal achievement.

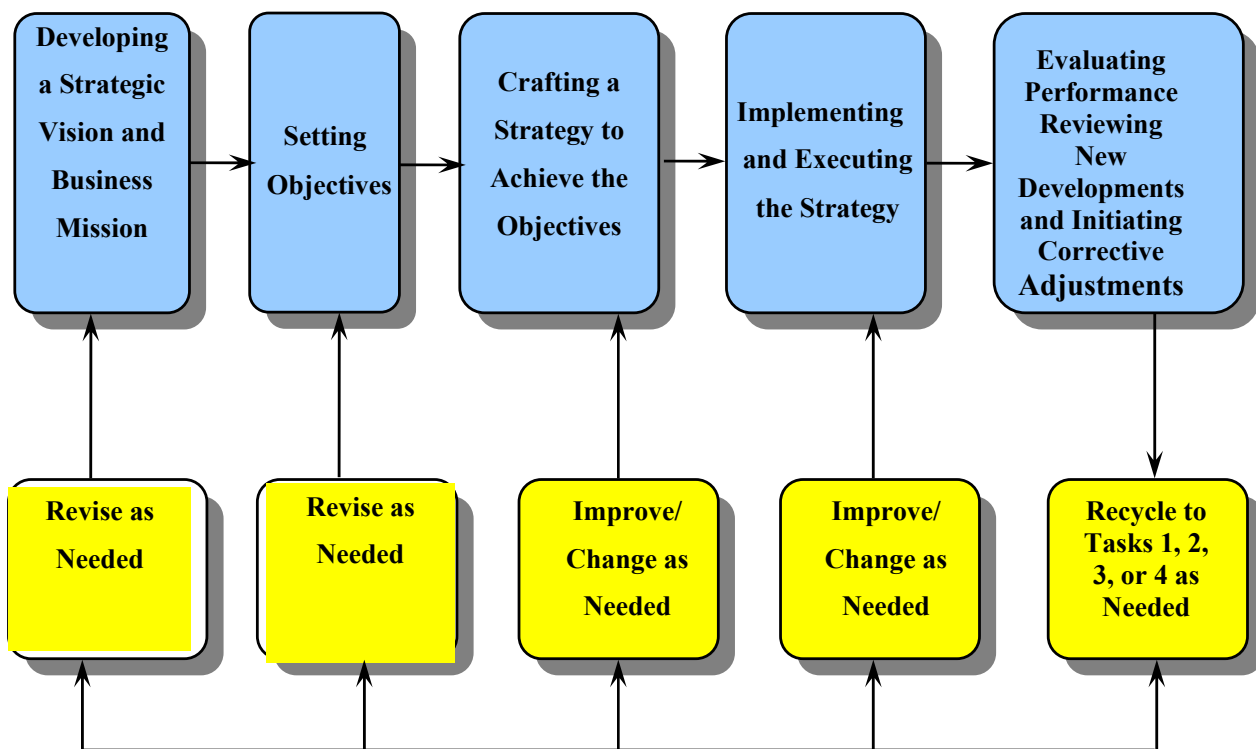


Fig. 1. Strategic management process

By analyses, the following main shortcomings of strategic analyses have been identified (for details see Zuzák, 2006):

- Paralysis from analyses resulting from the shortcomings of analyses and the subsequent non-satisfaction of the manager who undertakes them and continues to carry out further analyses that may not satisfy him for the same reasons.
- Analysing the past, as the majority of analyses is targeted at the past state, not its future development.
- Analysis fashion, since for consulting companies analyses represent their know-how that is to be sold as goods.
- Analysis as a goal and not as a means to achieve the goal.
- Isolated character of analyses for their inability to capture more phenomena, existing factors and mutual relationships.

The list of shortcomings of analyses might lead to the conclusion that an analytical and rational approach of managers to strategy selection may not bring success. The complexity of the world and decision-making shows that strategic decision-making must combine the analytical approach with the intuitive one. "... the days of highly analytical, rational approach to strategy development are over. However, no strategy may be purely rational or purely intuitive. In reality, one of the crucial managerial abilities is the ability to decide when and how to use one's own intuition in a certain situation" (Crainer, 1998). To achieve this, managers must have the following management competences.

**Knowledge of analyses, their possibilities and shortcomings.** There are perhaps thousands of kinds of analyses in the world. Sometimes the authors of a new analysis try to eliminate the shortcomings of the previous one. Portfolio analyses are a typical example. The criticism of the first analysis – BCG – was an impulse for the development of a number of new ones, each of which represented a partial improvement to the former one. The above said indicates that the individual knowledge of analyses is limited. Rather than striving to get to know the biggest possible number of analyses, it is more important to realise that they have a limited potential and certain shortcomings.

**Ability to assess and interpret analysis outcomes.** The outcomes of analysis do not guarantee their uniform interpretation. The interpretation is always influenced by knowledge, abilities and experience of each individual. All managers interpret the same data and information based on their subjective positions reflecting their knowledge and experience gained. The interpretation of analysis outcomes also incorporates their subjective approach to risk.

**Ability to combine analysis outcomes with intuition and experience.** Each managerial decision targeted at the choice of a strategy which is both implementable and success-oriented is based on a suitable balance between rationality (provided that the outcomes of analyses are – with respect to their shortcomings – considered rational) and intuition.

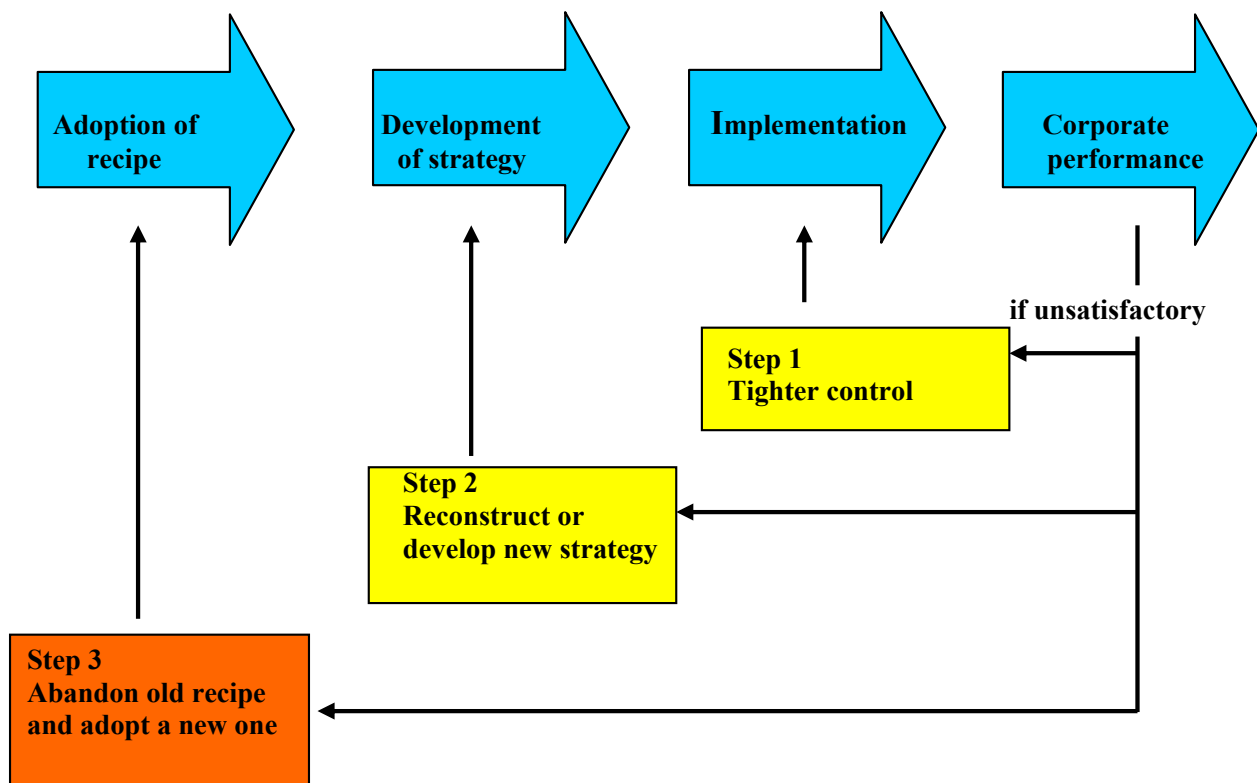


Fig. 2. Dynamics of recipe change (Grynier, Spender, 1979)

In current strategic management, time, as the ability of a company to respond to changes, becomes an increasingly important factor. Some companies reacted to this requirement by carrying out rapid situational analyses in which intuition governs over rationality and is followed by a fast decision on strategic steps to be taken. If shortcomings of the selected strategy are detected, it is promptly corrected. Decision-making is then based on managerial experience and the ability of its application in the given situation, followed by adaptation until the prerequisites are successfully met. What is important is the originality of the process which, in combination with managers' creativity, is a crucial competence for strategy formulation (as this is a broad topic, the article does not deal with the issues of creativity).

#### Searching for and copying excellence

The choice of a strategy may be severely threatened by the attempt to copy successful businesses. This attempt is based on the idea of searching for a formula for guaranteed success. The biggest impulse for this was the study of Peters and Waterman (1982) which became a worldwide management bestseller directly inviting the readers to follow and copy the identified features leading to corporate success. The fact that it was later criticised is a natural consequence of the non-existence of a universal formula for success. A less known study of a similar kind was published twenty years later (Nohria et al., 2003).

Neither can we accept a position of Truněk (2003). He recommends using "well-proven procedures": "For the purpose it is necessary to create a knowledge organisation, i.e. an organisation based on knowledge, operating in the conditions of a knowledge society and exploiting all the trends proven by time and already implemented in the management practice by some of the world-class companies".

There are several reasons for these failures. Firstly, each company operates in different geographical space and time and is determined by different factors. If these factors happen to be identical, they differ in power and direction. A successful strategy used in certain space and time does not necessarily anticipate success in another company operating in different space and time and vice versa.

Another and even more important reason of failure is a company's potential, in particular the human one. Every company represents a community of people in which each person is an individual bearer (owner) of competences. Furthermore, the structure of these competences creates synergy of various strength: from negative to positive. This explains why the introduction of elements of Japanese management systems, lean structures, learning organisations, six sigma, amoeba structures, reengineering and other systems into companies with different cultural background, different corporate culture and competences varying from successful businesses failed.

It is also one of the reasons for failing to implement a company strategy which is not, due to its demandingness and

orientation, acceptable for important interest groups, primarily the middle management that is the main strategy implementator. By their activities, these interest groups, for example, decelerate the implementation of the strategy, often create fictive problems, provoke discussions and determine requirements arising from their own interests, etc.

For a strategy to be successful, it is necessary that the management that implements it possess the relevant competences in the given time and for the given strategy, i.e. its implementation. It follows from the previous two paragraphs that in the process of strategic management, in particular in the phase of strategy selection, it is absolutely necessary to carry out an analysis of interest groups and corporate culture and an audit of available management competences of those managers who are to perform the key role of strategy implementators.

### Competence development

Management competences should be perceived as dynamic, rather than static. In relation thereto and with respect to strategic development, attention has to be paid to four aspects:

- Modelling the development of the “world” or preparing scenarios of development in the longer-term time horizon,
- With respect to the previous point, modelling the development of competences in relation to the modelling of the development of corporate culture for the purposes of defining management competences necessary for the formulation and implementation of a strategy in the given time horizon,
- Execution of the process of change of competences and, if necessary, recruitment and selection of managers with the necessary competences,
- “Forgetting” (some) competences.

As this is a broad issue, attention will be paid only to some aspects of competence “forgetting”. Fig. 2 presents a recommended system of gradual changes in case the strategy implementation fails to bring the expected results (Grynier, Spender, 1979). The “highest” level change, as shown in this scheme, may be understood as the total abandoning of the paradigm and identification and acceptance of a new one. A change of the paradigm arises from the need to use new knowledge since the previously applied information did not lead to success. A paradigm, according to H. W. Kuhn (Truneček et al., 1997), refers to a complex of philosophical, methodological and sociopsychological conceptions that in the given historic phase determine the choice of scientific issues and the method of their solution. The paradigm reflects the development of a certain scientific discipline and thus of thinking. A change of the paradigm then means a significant change in such thinking.

In terms of competences this means that managers must be able to abandon the acquired stereotypes, systems of values, roles and knowledge and to gain new competences in a short period of time. At the same time, they

have to be self-motivated. One of the biggest problems is to select what needs to be changed and cut oneself from the past and its effect on managerial thinking and acting. Simultaneously it is important to determine what new competences and on what level fit into the new paradigm.

### CONCLUSION

The surveys carried out reveal that the success of a company is primarily based on the selection of a strategy and its implementation. Having in mind the complexness of the world and unexpected changes, it is not possible to use analytical methods in the process of strategic management as the only tool. Analyses play a subordinate role and may be used by managers in combination with their experience and intuition. At the same time, however, managerial experience and intuition, with the time passing and the necessity to change the existing paradigm, turn into a burden that affects their decision-making and prevents them from accepting new procedures and new thinking. Management competences have to be viewed dynamically; the most difficult issue is to identify what competences are to be acquired, maintained or abandoned in the future.

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Received for publication on October 24, 2007  
Accepted for publication on February 7, 2008

ZUZÁK, R. – RYMEŠOVÁ, P. – HORALÍKOVÁ, M. (Česká zemědělská univerzita, Provozně ekonomická fakulta, katedra řízení, katedra psychologie, Praha, Česká republika):

**Manažerské kompetence v procesu strategického řízení.**

Scientia Agric. Bohem., 39, 2008: 174–179.

Příspěvek je zaměřen na manažerské kompetence v procesu strategického řízení, zejména ve fázi formulace podnikové strategie. Vychází z výzkumů prováděných v posledních letech mezi českými manažery podniků a ze zahraničních výzkumů. Volba strategie a její následná implementace patří k rozhodujícím faktorům pro podnikovou úspěšnost. Zejména v posledních dvou desetiletích dochází v podnikovém okolí k dramatickým změnám, zvyšuje se náročnost konkurenčního prostředí a také náročnost zákazníků. K dosažení konkurenční výhody nestačí poskytovat zákazníkovi kvalitní výrobek za přijatelnou cenu. Dnes už to zákazník chápe jako běžný servis. Vrcholový podnikový manažer současnosti musí rozhodovat s nedostatečnými informacemi o budoucím světě, které mu nemohou poskytnout rozsáhlé informační systémy a analytické metody. Strategické analýzy, které jsou manažerům nabízeny, vykazují řadu nedostatků, které se projevují v rozhodovacím procesu při formulaci a volbě strategie. Proto musí být manažeři schopni spojit disponibilní informace a analytické metody se zkušenostmi a intuicí. Přitom zkušenosti, které manažer získal v minulosti, nemusejí najít své uplatnění pro rozhodování v dnešní době nebo v budoucnosti. Obdobně dochází k zastarávání manažerských kompetencí a musí docházet k jejich rekonstrukci. Problémem je, které manažerské kompetence je třeba z hlediska budoucnosti opustit a které je potřeba získat.

kompetence; strategické řízení; strategické analýzy; znalosti; rozhodování

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