

# THE STRATEGIC MANAGEMENT IN THE CONTEXT OF THE PROLIFERATION OF THE KNOWLEDGE-BASED ECONOMY

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## *Abstract:*

*The aim of this research is to highlight a series of specific features of strategic management, developed alongside the proliferation of the knowledge-based economy. The research was carried through the questionnaire method and looked at different phases of the strategic management process, among which we included the premises of creating the strategy, the major components of the strategy (objectives, resources) and the knowledge-based processes within an organisation. The sample that was used within the research was formed out of 120 persons and its statistical distribution was according to the characteristics of the population.*

*Keywords: Strategy, information, knowledge-based economy, strategic management*

## **Introduction**

This paper highlights the particularities of the strategic management in the context of the proliferation of the knowledge-based economy in our country. The research presents a summary of the current knowledge in this field, the objectives, the hypothesis, the methodology and the results of a survey, as well as some pertinent conclusions.

### **1. Current knowledge**

Scientifically analyzing the field of strategic management implies a review of previous researches. Considering this, the paper begins with a presentation of the most significant contributions from both the Romanian and international literature. The way the strategic management is implemented in the context of the proliferation of the

knowledge-based economy is of a high interest for many specialists.

According to specialists from our country, the strategic management (Nicolescu et al., 2011) represents a specific field of management, based on strategy, enabling the managers to ensure the long-term evolution and performances of the organization they manage. In this field of management the emphasis is on formulating the strategy, implementing it and on the continuous monitoring of any strategic pursuits. The strategy is a direct result of the managerial foresight being defined (Nicolescu et al., 2011) by the following elements: the mission of the organization, the strategic objectives, the main strategic options, the necessary resources, the deadlines and the competitive advantage.

The concept of strategy is quite recent in the theory and practice of management (Popa, 2004), being firstly used in the '60s, when the changes in the business environment intensified and the organizations had to react more to them. Step by step, these reactions enabled the development of the strategic management system – the strategy being it's fundamental element.

The concept of strategic management was first used in 1973 (Nicolescu et al., 2011), during the first edition of the International Conference of Strategic Management, organized at the Vanderbilt University in the United States of America. The promoter of the conference was Igor Ansoff, an American specialist considered the "father of the strategic management" who wrote a great number of papers on the subject.

Recently, in the context of the ever-changing business environment, the concept of knowledge-based economy is widely used. Knowledge (Nicolescu et al., 2011) represents an ensemble of applicable pieces of information and abilities generated by the use of information. Knowledge has the ability to generate added value. The knowledge-based economy is defined in the literature as the type of economy in which knowledge is raw material, capital, product and and factor of production. In this context, generating, selling, buying and any other type of activity involving knowledge is predominant and highly influences obtaining economic benefits and the overall sustainability of the economy.

The Romanian economy begins to show a series of characteristics specific to the knowledge-based economy (Nicolescu, 2011), amongst which the most relevant are: the majority share of services in the economy, the intellectualization of work processes, the increase of exports, the

development of new types of partnerships between organizations. Considering these, this paper is based on the premise of the proliferation of this type of economy in our country with a big impact on the Romanian organizations and their strategic endeavours.

According to specialists in this field (Popa, 2004), the structure of the knowledge-based economy evolves from material resources, processes and systems of distribution to symbolic resources, processes and systems of distribution. Thus, the natural capital (natural resources and environment) and the man-produced capital (material and financial resources) are replaced by the human and social capital. In this context, the companies have to re-define their organizational culture thru reengineering and updating their strategy. In this way, the strategic management adapts to the changes of the activities of the organization (Popa, 2004): increase of the dimensional, structural and functional flexibility; increase of the computerization; increase of the creative potential and an increase of the interest in saving and better using the resources.

According to other Romanian specialists (Stepan and Gorgan, 2012), knowledge-based organizations will promote the value of the conceptual relevance. In their opinion, the strategic management is focused on knowledge, not on the client or the market. The explanation for this is that the entire society is centred on knowledge, which represents the driving force for all human activities, including management. Moreover, the most important resources of an organization are the knowledge and the people, the latter have to continuously develop through lifelong learning.

The international literature dealing with the strategic management in the

context of the knowledge-based economy is more complex. There are ample papers dedicated to this area, most of them written by specialist from the United States of America and the European Union.

The first international paper that was analyzed (Viedma and Cabrera, n.d.) emphasises the fact that the main success factor for an organization is represented by a rigorously formulated and implemented strategy. The authors consider that simply using a SWOT for analyzing a strategic endeavour isn't enough anymore. This type of analysis has to be extended by considering two strategic perspectives: the resource-based view and the activity-based view. The resource-based view implies analyzing the organization through the resources and the abilities that define it in the context of the economic environment, while the activity-based view implies analyzing the organization as a chain of activities that generate value by transforming all the inputs.

Another international paper (Leibold et al., 2005) presents new approaches and practical applications of the strategic management in the context of the proliferation of the knowledge-based economy. Due to the numerous mutations in the society, the authors consider necessary the development of a new strategic approach, fundamentally different from the traditional one. This new approach of the strategic management resulted after benchmarking different strategic approaches (client knowledge management, dynamics of the social and cultural networks etc). This paper proves the necessity of adapting the strategic approach to the knowledge-based economy – this will decisively influence the performances and functionality of the organizations.

We can conclude, based on the significant number of papers, that the

specialists have a high interest in the field of strategic management in the context of the proliferation of the knowledge-based economy. In spite of this, we observed a minor lack of information in our country in this field, especially when it comes to underlining the particularities of the strategic management in the context of the proliferation of the knowledge-based economy. Considering this, we will present next the objectives, the hypothesis and the methodology of the research.

## 2. The objectives, the hypothesis and the methodology of the research

The main objective of this research is to underline the particularities of the strategic management in the context of the proliferation of the knowledge-based economy in the Romanian organizations.

Considering this, the hypotheses of this research target some characteristics of the strategic approach. These hypotheses are:

- Hypothesis no 1: The most important **premises of developing the strategy** are the **internationalization of economic activities** and the **international transfer of know-how**.

- Hypothesis no 2: In the context of the knowledge-based economy, **the most important objectives** of an organization are the **economic** ones.

- Hypothesis no 3: In a strategic context, the **vital resources** for the organizations in our country are the **knowledge** and the **information** they possess.

- Hypothesis no 4: In Romania, **the most important process** involving knowledge is the **use** of knowledge, not the creation or the acquisition of knowledge.

The research was based on a survey; the sample consisted in 120 managers and employees from 75 Romanian organizations activating in different economic sectors. The size of the sample is quite small compared to the overall population targeted by this survey, but the relevance is quite high, due to the fact that the sample has the same characteristics as the targeted population. The most relevant characteristics of the sample are presented below.

From the perspective of the field of activity of the organization, most of the respondents are activating in the services sector – 78 out of 120, representing 65% of the total. This share is similar to the total share of employees from the services sector according to the data provided by the National Institute of Statistics – 63.19%

As for the position occupied within their organization, 45% of the respondents are managers, while 55% are operational employees. The work experience varies from less than a year to 42 years, the medium value being 15.31 years. The age of the respondents' ranges between 21-64

years, while the average age of the respondents is 38 years.

Analyzing the sample according to the professional background, the most important share is that of the economists – 47.50%, while the engineers represent 28.33% of the total number of respondents. As for the level of education, 117 respondents have at least a bachelor's degree and only 3 have only graduated from high school.

### 3. The results of the research

Both the theory and the practice of management prove the fact that (Nicolescu and Verboncu, 2008), in order to design a strategy that can generate major economic benefits is necessary to identify the premises of the strategic approach. The first hypothesis of this research refers to two of the premises with a high impact in the context of the proliferation of the knowledge-based economy: the international transfer of managerial know-how and the internationalization of economic activities. The respondents were questioned about these aspects, and their responses are illustrated in the following chart.

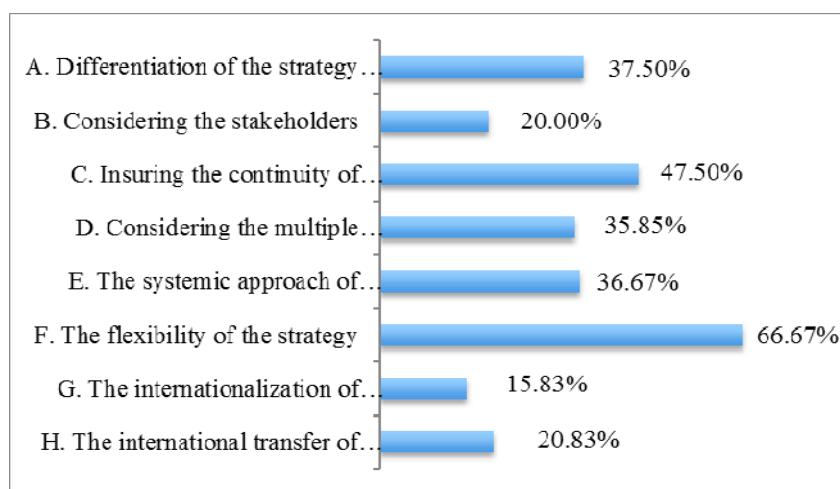


Figure 1. The importance of the strategic premises

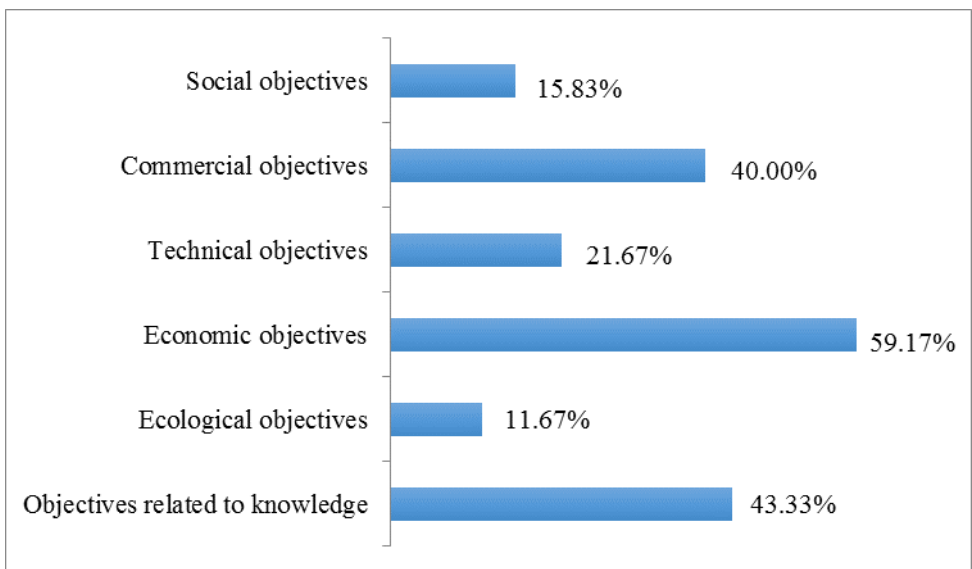
As one can observe in figure 1, a quite limited number of respondents indicated the two premises mentioned in the hypothesis: the internationalization of economic activities - 15.83% and the international transfer of managerial know-how – 20.83%. Thus, we can state that these premises don't have a significant importance for the Romanian organizations in the context of the proliferation of the knowledge-based economy.

The most important premise of the strategic approach is, according to our sample, the flexibility of the strategy – 66.67%. This emphasizes the necessity of an approach adapted to the changes of the external environment of an organization. This premise is followed by the one referring to insuring the continuity of elaboration and implementation of the strategy (47.50%) and to the differentiation of

the strategy on the life cycle of the organization (37.50%).

Considering the answers provided by our sample, the *first hypothesis is rejected*, thus we cannot confirm the existence of a major influence of the proliferation of the knowledge-based economy on the strategic approach.

The second hypothesis of the research refers to the higher importance of economic objectives compared to other types of strategic objectives (knowledge, ecological, technical, social, commercial). According to specialists (Nicolescu and Verboncu, 2008), the strategic objectives represent the quantitative or qualitative expressions of the main goals of the organization. They are the first operational component of the strategy and represent the starting point for the entire system of objectives of an organization. As for the type of these objectives, the respondents expressed the following preferences (figure 2).

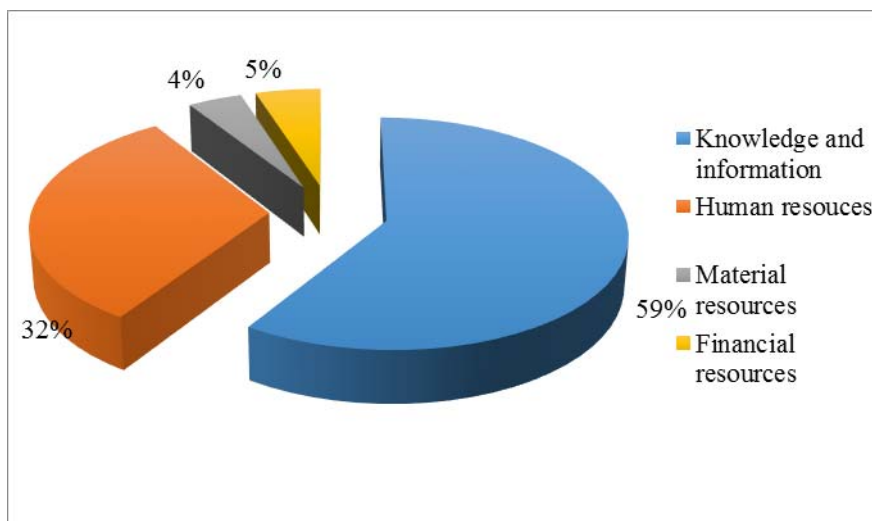


**Figure 2. The importance of different types of strategic objectives**

The most important strategic objectives are the economic ones (59.17%), followed by the objectives related to knowledge (43.33%) and the commercial objectives (40%). We can state the fact that in the context of the proliferation of the knowledge-based economy, the main objective of an organization refers to the economic benefits of the carried out activities. Thus, *the second hypothesis of the research is confirmed*. We consider this finding to be normal and the development of the knowledge-based economy will contribute to the diversification of the strategic objectives. As most of the organizations are profit oriented, it is absolutely normal that their main objective is an economic one. But, as a personal opinion, limiting one organization to this type of objective is wrong, not sustainable and not adapted to the current environment. It is necessary to

focus also on objectives related to knowledge, on social and environmental objectives, which will contribute to the enhancement of managerial and economic performances.

After the strategic objectives are formulated, the next step is represented by the set up of the strategic options, of the necessary resources and of the deadlines. In the current economic and social context, a correct dimensioning of the resources is highly important for any organization. In this research, the third hypothesis refers to identifying the most important type of strategic resources – considering the proliferation of the knowledge-based economy, we assumed that the most important resources are the knowledge and the information an organization owns. The answers of our respondents are highlighted in the following chart.



**Figure 3. Classification of the resources according to their importance**

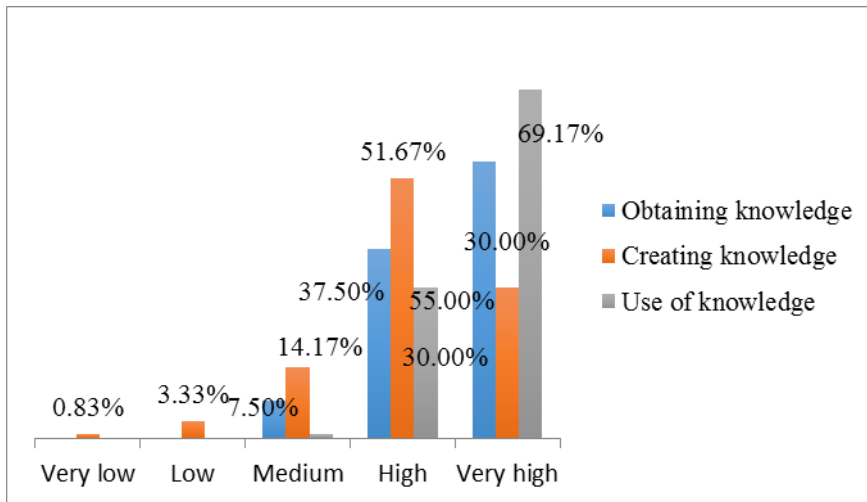
The survey showed that the most important strategic resources of an organization are the knowledge and the

information owned – 59.17% of the respondents state that. Thus we can

conclude that the third hypothesis is valid.

From our point of view this result confirms one of the most significant influences of the proliferation of the knowledge-based economy on the strategic management – the knowledge and information have become the main resource of an organization. This also confirms the role of knowledge within the economy, as many specialists in this field have stated: raw material, production factor, product and capital. We consider that the results of this research emphasize mostly the role of raw material and production factor. As a raw material, knowledge mainly contributes to the creation of modern products, while the contribution of other resources is less significant.

According to specialists (Nicolescu, 2011), in the current economy, within each organization are carried out three types of processes involving knowledge: acquiring knowledge (through learning), creating knowledge (innovation) and using knowledge. The strategic management implies implementing all this knowledge-related processes. From our point of view, obtaining and creating knowledge are strategically important, especially when the strategy is set up. Yet, the most significant process in the strategic approach is, from our point of view, the use of knowledge. In order to demonstrate this we formulated the fourth hypothesis of this research. The answers of our respondents are presented in the next chart.



**Figure 4. The importance of the knowledge-based processes**

In order to underline the importance of the knowledge-based processes, each respondent attributed a certain level of importance to each of the three processes. Inside our sample the obtaining of knowledge has a very high importance for 55.00% of our

respondents, a high importance for 37.50% of our respondents and a medium importance for 7.50% of the respondents. The creation of knowledge is very important for 30.00% of the respondents, important for 51.67% of the respondents and of

medium importance for 14.17% of the respondents. The use of knowledge is very important for 69.17% of the respondents and important for 30.00% of the respondents.

Considering these results, the most important process for our sample is the use of knowledge. Thus, the fourth hypothesis of the research is validated. This fact also reflects an important characteristic of the knowledge-based economy – the intellectualization of work processes. The extensive use of knowledge throughout all the activities of an organization has a major contribution to the proliferation of the knowledge-based economy in our country.

In a strategic approach, the use of knowledge is vital from the moment the strategy is set up, until the strategy is implemented. Knowledge has a major contribution to realizing complex diagnostic studies and SWOT analyses. Also, knowledge resulting from foresights and marketing and environmental studies must be used and fructified in order to set up a realistic strategy, able to contribute to achieving performances.

The use of knowledge is also important when it comes to elaborating the strategy, especially when the objectives are formulated and the strategic options are identified. Knowledge also has a major impact in implementing the strategy, from the first stage to the involvement of stakeholders in order to achieve the previously formulated objectives.

#### **4. Conclusions**

This paper aims to underline some particularities of strategic management

in the context of the proliferation of knowledge-based economy in our country. The research was focused on four hypotheses referring to a series of aspects of strategic management. Out of the four hypotheses, only three were confirmed, which led to the following conclusions.

The premises of setting up the strategy in the context of the proliferation of knowledge-based economy aren't very important to the Romanian organizations. Thus, we can state that now, the strategic approach isn't adapted to the particularities of the knowledge-based economy.

In the context of the proliferation of the knowledge-based economy, the most important strategic objectives are the economic ones, followed by the commercial and the technical ones. In this train of thoughts, we consider that the development of this new type of economy will contribute to the diversification of the strategic objectives, having a major importance for the economic sustainability.

The most significant aspect underlined by this research refers to the most important strategic resources for an organization. According to the results of the survey, the knowledge and the information owned by an organisation have the highest impact on the strategic approach, and, based on this, on the overall economic and managerial performances.

The use of knowledge is more important than the creation and the obtaining of knowledge. Knowledge is used within the strategic management starting with the setting up of the strategy up to the implementation, by motivating the stakeholders.



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