Abstract: This article focuses on strategic management as a guiding line of action, aiming to maintain alignment with the market in order to develop capabilities that allow the organization to provide unparalleled value to customers through new positioning. A qualitative analysis of the literature based on reference authors was conducted. The results reveal that the specificity of the sector of activity, due to its international competition, makes the competitive context more uncertain. This influences the way in which the strategy to be adopted by organizations is formulated. Thus, we conclude that organizations competing in hypercompetitive markets should adopt an adaptive strategy to respond quickly to market dynamics.

Keywords: strategy; competitive environment; environmental analysis

1. Introduction

The language of business has shifted away from the initial military connotation of the term “strategy,” which we can now refer to as anything that helps the organization become unique through continuous review of its responses to the “who-what-how” questions of the business, in order to remain flexible and adjust activities in response to market feedback. In practice, we refer to the company’s business model that aims to achieve a certain market positioning in order to serve a competitive target (segmentation) through its differentiation strategy, which allows it to gain a competitive advantage (temporary or sustainable). To achieve this goal, a strategy must be formulated involving all employees of the company.

2. Strategic planning versus adaptive strategy

Mintzberg [1] identified strategic planning and adaptive strategy building as different applications of strategy formulation. Larger established companies in predictable industries are more inclined to plan their actions, while adaptive strategy is essentially applied in dynamic sectors where organizational initiatives emerge in response to changing competitive circumstances. This means that decentralized emergent strategy processes can be efficient in turbulent environments. In this sense, the paradigm of strategic management was introduced as a rational analytical application to provide strategic direction to organizational actions in an increasingly unstable business context. This issue has sparked debates about the viability of strategic planning versus decentralized emergent strategy led by academics such as Ansoff [2], Goll and Rasheed [3], and Mintzberg [4,5].

3. The influence of competitive environment on strategy

Competition in dynamic environments demands that companies become less bureaucratic and more flexible, unlike what was observed in stable environments in
the recent past, where the adopted strategy simply involved defining a competitive position (based on the price-quality binomial) and defending its maintenance. In this line of thought, we can understand strategic management as a set of decisions and organizational actions aimed at determining the long-term performance of the company based on its competitive environment. Given the decreased time duration for the replacement of a product or technology by others, companies face increasing difficulties in achieving a permanent or durable competitive advantage, that is, obtaining superior performance supported by the particular characteristics of the product (price, quality, after-sales service) for a long period of time. This growing environmental uncertainty highlights the need for organizations to develop strategic flexibility, which is the ability to switch from one dominant strategy to another. This goal entails meeting two requirements:

- A long-term commitment is needed to foster the development of critical organizational resources, i.e., the creation of knowledge that arises from a human process based on personal convictions inherent to specific cultural and social contexts.
- The company must become a learning organization, meaning an organization that learns, i.e., an organization specialized in the acquisition, creation, and transfer of knowledge through modifying its operations to understand and reflect new knowledge in its activities, thus avoiding stability through continuous self-analysis and experimentation.

This means that this type of organization fosters an atmosphere of involvement of all individuals in strategic management in order to: i) explore the environment by obtaining critical information; ii) suggest changes in strategies and operational programs to gain advantages in the face of contextual changes, and iii) work with other individuals in interdepartmental teams to continuously improve work methods, procedures, and evaluation techniques.

Therefore, efficient strategic management does not necessarily have to be a formal process. Small and medium-sized enterprises (SMEs), in particular, can plan their activities informally and irregularly, meaning that managers can jointly address various issues and decide on their actions casually (informal meetings). However, since these decisions can affect a large number of people, large companies need to formalize them through a more sophisticated system to ensure that strategic planning leads to the desired performance.

In this understanding, intuitive strategies (resulting from casual decisions) are not successful if any of the following three aspects manifest:

- The company expands its size.
- Organizational management levels increase.
- The environment undergoes substantial changes.

Meanwhile, Mintzberg [6] considers that strategy formulation is not typically a continuous and regular process. This view reflects the human tendency to continue in a particular direction of action until something goes wrong or individuals are forced to question their actions. Such a period of strategic inaction may simply result from organizational inertia or reflect managers’ belief that the current strategy is still appropriate.
However, a rapid event such as a new CEO, threat of ownership transfer, performance gap, or a strategic inflection point (which occurs due to a different regulatory environment, introduction of new technologies, or change in consumer values and preferences) stimulates the change of organizational strategy as a result of analyzing the external and internal environment.

4. Environmental analysis

Managers examine the external environment for business opportunities and threats, and the internal environment for the organization’s strengths and weaknesses. Essentially, the critical factors for the organization’s future are referred to as strategic factors: strengths, weaknesses, opportunities, threats (SWOT).

In these terms, environmental analysis can be understood as the monitoring, evaluation, and dissemination of information from both the external and internal environments to key personnel within the company. The external environment consists of variables (opportunities, threats) external to the organization that form the context within which it competes, facing i) general societal forces (or trends) and ii) specific factors that have effects on the environmental space of a particular task performed. On the other hand, the internal environment consists of variables (strengths, weaknesses) present within the company, constituting its working context that includes structure (which reflects the organic functioning method of the organization), culture (which comprises a set of shared tacit assumptions by individuals that determine their perceptions, thoughts, feelings, and, in part, their behavior), and organizational resources.

At this point, managers are in a position to proceed with strategy formulation, which involves developing plans to effectively manage environmental opportunities and threats in light of the organization’s strengths and weaknesses.

5. Conclusion

Regarding a text aimed at all those who wish to deepen their knowledge in strategy (students, various professionals, managers), it is worth emphasizing that theoretical knowledge obtained through reading does not replace the experience in the work environment within companies, with the application of the necessary tools for conducting a strategic diagnosis, and consequent formulation, implementation, and monitoring of the chosen strategy. Strategic management is not limited to theoretical guidance within reach of anyone through simply reading a book. Mastery of these subjects requires expertise and business experience. Otherwise, it’s like selling a pig in a poke.

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References