STRATEGY VERSUS STRATEGIC SYSTEM

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Abstract:
This study addresses organizations like complex and living systems. Based on this understanding it follows a complex approach to organizations in seven aspects that characterize the life of an organization. The seven systemic features of an economic organization that we consider throughout this article are: their appearance, internal structure, relations between individuals, dynamic interactions (generated phenomenon), processes run (organizational networks), operational flows (production cycle) and the operating patterns.

In the second part of this study, based on the idea of the organization as a complex organism characterized by seven dimensions, we have tried to emphasize that its strength come from a maximum harmony and coherence of its parts. This harmony is given precisely by the existence of common guidelines in all the seven levels of the system called organization. Common guidelines aims consistent strategic decisions at each level of the system, decisions can be integrated into what we call strategic system. For this reason we propose to make a distinction between global strategy (strategic approach) firm strategies (strategies typical) business strategies (policies), functional strategies (strategic planning and operational planning) and operational strategies (operational programs and projects).

Key words: strategic system, organization, approach, strategy, policy, planning, programming, design

JEL Classification: L1, L2, M1, M2, O2, O3.

1. A Brief Introduction

In our world there is not change, there is only evolution. This is why at some point organizations cannot meet requirements brings by the environment where they are integrated. Many times the environment evolves and organizations are finding in a static position considering that they will take decision of change at the right time. But as we said there is no change, the reality has not major changes on short term but on long term into an evolution process. This is why there is a set of major decisions with long-term effects to be taken well in advance of their desired effect. In this regard, the major decisions that we take today will have not effects over two days but will affect us after five, ten or even twenty years. But if we do not know what will be the future for over 20 years, how will we know which major decisions are correct. That is much easier than we think. Following today's evolutions we can see the directions for tomorrow. There is no radical changes in the environment, there is only evolving directions we expect starting by today. And the major decisions that we are making today, must be implemented for several years of evolution. This is the strategy.

Before discussing the nuances that require the strategy as a generic element, we should to establish that the concept applies to any form of organization, being a universal trend of the surrounding world. However we are interested especially in the way of action and human manifestation of economic organizations.

Chester Barnard, in his famous work "The Functions of the Executive" (Barnard, 1938) looked on organizations as systems of cooperation in human activity. He also showed that organizations normally have a limited life span, and generally of short duration, exemplifying both the micro social organizations and with organizations like states. As told by Chester Barnard, organizations do not survive very long time because they do not meet two main requirements: effectiveness (efficacy) and efficiency. Currently efficacy is defined as the relative ability to achieve the objectives that have been established within the organization and efficiency as the degree of fulfilment of the needs and motivations of those who have interests in or to the organization.

From this point of view, which has been accepted over time, it is clear that organizations require not only a very good strategy but also action on several fronts. Is there a sum of concepts which complete the idea of
strategy, concepts that ensure good coverage of all economic aspects of the organization, such as capitalization, efficacy, profitability, return on investment, efficiency, productivity, and yield. We propose in this regard several integrated concepts that are indispensable in the economic activity of the organization as follows: strategic approach, strategy, policy, strategic planning, operational planning, programming, design. The lack of integration of the seven components, organizations can not only develop based on the strategy as singular part in their existence and progress. In this study we identify the links between business strategy and other concepts of organization and the role and place of these concepts in an integrated system.

2. Organizations like forms of life

Organizations are complex living systems. Based on this understanding it follows that an organizational approach is complex in several aspects. As dynamical systems, organizations will be defined by some specific features critical for existence and survival in a given period of time. The main characteristics attributed to systems are: their appearance, internal structure, relations between individuals, dynamic interactions (events generated) processes run (organizational networks), operational flows (production cycle) operating patterns.

The aspect of the organization refers on the one hand to the size that is very important from the point of view of their strength in the competition on the environment in which they develop (for an economic company this environment is the operating market). On the other hand the aspect of the organization is considering its development form (legal form of existence and development) expressing the degree of flexibility and the unity that company holds on general environment. All these specific elements, that give the appearance of an organization's vision, results from forces that led to its development; where economic organizations these forces are represented by the founders and subsequent owners (Shareholders/stakeholders) (Figure no.1).

![Figure no. 1. Directions defining the aspect of the organization](image)

The internal structure of the organization is characterized first by structural fragmentation which gives subdivisions size and dispersion of the organization. It follows organizations with maximum concentration based on collaborative structures and decentralized organizations based on representative structures. Secondly structure is characterized by the degree of diversification of subdivisions and the heterogeneity of the organization. Are identified the homogeneous structures for specialized organizations and heterogeneous structures for diverse organizations. These are recorded in Fig. 2.

Organizational relationships are a dynamic network of relationships and mutual exchanges between the constituent parts of the organization. If conceptual appropriate and is well implemented, the system is characterized by sustainable and harmonious relations between its components, relationships established and adjusted over time. Relations are characterized by spatial position given by structural position in the same plan of action, generating collaborative decision type, or in different plans producing individual decisions. Also relationships develop a time position, sequence type, resulting hierarchical relationships or simultaneously type relations resulting functional relations. Development directions of organizational relationships within an organization are structured in the figure no. 3.
Dynamic interactions can be defined as organizational phenomena generating organizational system products (figure no.4). These interactions group all energy exchanges generated within the organization between their parts and between the organization and its environment. These energy exchanges are designed to move the entire gear of the organization and ensure its own internal dynamics and its dynamics in the environment. Interactions with the external environment are considered inputs and outputs of the organization. The interactions are based on established relationships within the organization and on the relationships it has with other organized entities. With improper relationships established by the organization's internal policies, will not be the desired interactions resulting structural conflicts between those components, even among individuals as structural parts. Interactions are characterized by two dimensions. The first dimension of these interactions are theirs strength varying depending on the relationship that have formed the basis of their. May be strong interactions with major system changes and generated products by it or rather can be weak interactions with reduced amplitude of changes, even between different products generated by the system. In this case an economic organization within the dynamic interactions that occur are particularly weak, will generate improved products and new versions of old products while an organization with strong interactions will make innovative products. Also interesting is the frequency with which interactions occur, varying from low frequency under organizational system stability based on hierarchical relationships, to high frequency interactions with organizations based on functional relationships. This frequency of interactions produces the frequency that the
products will be generated by the system. Thus firms with high frequency of exchanges will have a high frequency of product renewal. Similarly we can say about the economic environment and the markets with high frequency of changes, that the life cycle of existing products in them is short.

The processes conducted (organizational networks) is a set of well-defined interactions that aim a transformation, an evolution, an unfolding in a continuous sequence that occurs naturally or is created and controlled by humans, and consists of changes of properties, attributes or conditions of a system or object (Marcu and Maneca, 1978). As a result of interactions occurring within the organization there is a prioritization and ordering them either due to natural or artificially imposed logic. This creates chains of interactions that determine precise operationalization of each subdivision of the organization as a system. What is interesting is that each participant in each divisions of the organization is specialized being able to operate within the chain of interactions. This specialization inside the organizations is made by through training and experience, without excluding the natural qualities of the individual to conduct such activities.

In terms of the process characterization there are the two main directions: the lengthiness of the process (network) and the density of the process (network) (fig. 5). A network consists of network nodes (switching centers) and lines of network of network segments or junctions. A line ends with network terminals. Network length indicates the number of switching centers. In terms of lengthiness can be long or short processes (networks). Density of the network represents the number of lines included in the process. Processes can be dense with several derived network lines or diluted with only one or two lines of the network.
High network density allows the execution of multiple tasks at the same time but there is a risk that the final assembly process of the component parts will not match. Great length of the network allows for finer detail and better quality of the final product but greatly lengthens the manufacturing flow and costs.

**Operational flows (investment/operating/financial cycle)** means all activities, actions and operations that take place within a network in a scheduled process required by the conversion of resources into intermediate or final product, indicating intermediate crossing points. Within the organization there are various concurrent operational flows, for several active operational programs.

Operating cycle represents all operations of the organization to achieve its objective, and realize the object of legal activity. It is generally a short cycle (expressed in days) except production processes for products with long production cycle (airplanes, ships, highways, obsolete drinks). Investment cycle operation creates a material basis from which the organization expects income over several economic and financial cycles. By its nature, it is the longest operational flow. The investment is an immediate and massive expense, which materializes in transforming the money in general fixed assets (tangible or intangible) that have a long service life (several exercises economic and financial). The financial cycle groups operations and procedures for granting and receiving loans, and the sale or purchase of securities (shares, bonds, government securities, derivatives) or currency, which can last from one day to several years.

An operational flow is characterized by the duration and intensity (power, volume, value) (Figure 6).

![Diagram of operational flows](image)

**Figure no. 6. Directions to define the organization’s operational flows**

Operational flow duration, equivalent to investment, operational or financial cycle, is the time needed for the continuing activities, actions or operations in accordance with a work program. An operational flow is continuous; there are no breaks in it in one or another of his moments. An operational flow for a product (good or service) is repeated until the end of a series of products related to activity program. In the practice of economic organizations this feature is assimilated to the phenomenon of rotation of fixed assets or assets. Phenomenon of rotation of assets is designed as a sequence of flows that partially are overlapping and in which current assets can be found simultaneously in all material forms required by the specific activity. Generally this duration will be influenced by the level of supply reserve and supply rate on the one hand and on the other side of the stocks of finished products and the rate of sales/deliveries.

Operational flow intensity (capacity, volume, value) represents the amount of investment capital in assets required to complete an operational program for the implementation of a product. It depends on many factors including the supply, production and sale, production costs and speed of rotation. Output growth generally attracts an increase in current assets (Bran, 1997). Operational flow intensity is seen in economic organizations as financing needs. Financing needs of the overall operating cycle expressed total need for capital to purchase stocks, achieving normal operations and ensure a normal balance of debts to determine an efficient operating cycle. Therefore in an operational flux it seems appropriate blocking a sum of money which in practice is the working capital.

Operational flow quality is given by the quality of process planning (network). Operational flows effective development is related to technology resulting from successive upgrades, being classified as: manual, mechanized, automated or mixed technological flows. Development form of flows is dependent on know-how accumulated over time through experience, research and development. Improving operational flows takes into
account: shortening some segments (activities), automating repetitive actions, eliminate redundancies, eliminating "defects", cost savings, eliminating downtime.

Operating patterns are the way (all methods) operating components and technology flows and operations phases. The operation is part of a technological process flow executed in a single workstation (for example, an automatic machine, a technology sectors etc.) for processing one or more resources or semi-products without the work object to leave the site, until the end of the operation. Technological operation may be composed of one or more subsequent processing steps, performed on the object of work. Technological operations can be characterized primarily by the level of detail in differentiated operations and concentrated operations. Differentiated operations are made in a single stage or a limited number of processing steps and processing phases are not overlapped in time. Concentrated operations consist of a large number of steps that can be performed successively or simultaneously on one or more resources or semi-products and this type of operations allow overlapping phases, leading to a reduction in the operation time (Vlase, 2001). A second operations characteristic is the degree of technological evolution of the methodology, resulting in operating patterns with advanced technology and operating patterns with basic technology (Burgelman et al., 2004). These characteristics of operating patterns within an organization are presented in Fig. 7.

Figure no. 7. Directions to define operational patterns of the organization

Operating patterns are designed within the organization or copied by patterns found in other organizations, whether natural, social or economic. Achievement solution of operating patterns in economic organizations is the projection design or project management. The projection criteria for operating patterns are the technical, economic and social. Thus, by the operating model the organizations want to achieve the highest economic performance. Technical criterion refers to product realization in accordance with the requirements of the technical, commercial and marketing specifications. The economic criterion requires that the designed operating pattern to lead the implementation of the product with minimum consumption of materials, energy and labour, or at minimal cost. Social criterion forces organizations to project the operations such as to ensure better working conditions through mechanization and automation, which transfers execution of difficult or dangerous operations by mechanical or automated means such as machinery. Based on these three criteria, occurs improving operating patterns that can be found in the economic literature in terms of increasing the quality (for resources), modernization (for means) and redesign (for ways to implement).

3 Strategy - an approach as system

As shown in the second part of this study, when talking about the organization talking about a complex organism characterized by seven dimensions. In these circumstances we consider the organization as a system. Distinctive force of a system comes from a maximum harmony and consistency of its components. This harmony is given precisely by the existence of common guidelines in all the 7 levels of the system called organization. Common guidelines refer to strategic type coherent decisions at each level, which can be integrated into what we call strategic system. So that, the company's strategy is a structured set of numerous action plans that overlap requiring decisions on different hierarchical and functional levels (Figure no. 8).
It would be wrong to consider that strategy is synonymous with strategic system. Conversely, strategy is only part of the strategic system. For this reason, we have made a clear distinction between strategy and the strategic system of the firm. We consider only strategy the second conceptual and implementing level of a strategic system. In other words, the strategy is not even the first pillar of the organization's long, medium, and short-term orientation. Although, it is a highly discussed topic, the strategy has not yet been fully conceptualized and more so still do not have a sufficiently integrative modeling. The studies up to this moment raise the strategy as a coherent set of actions without debating the idea of an integrated strategic system with many levels of action. This is why studies have often focused on one or two levels of action which the authors have found like success factors in the affairs of the company and also key elements of the strategy to be followed. In the literature, the term widely used for all levels of action of strategic system was strategy. For this reason, it is necessary to make a distinction between global strategy (strategic approach), business strategies (typical strategies), business strategies (policies), functional strategies (strategic planning and operational planning), and operational strategies (operational programs and projects).

The first level of decision is the strategic approach that would generally represent the orientation about organization appearance, its size and ways of its development. In this sense, we can talk about decisions on the allocation of capital for development from internal sources and from the issue of shares, loans or other financial instruments. On the other hand, the decisions in strategic approach are how legal to develop their capital and how concentrated or decentralized will be the decision on the major options of portfolio affairs. Development decisions are made by the shareholders taking into account the advice can ensure the specialists whether they are financial or management consultants. In 1954, Peter Drucker was the first who pointed out the importance of strategy for firms and he indicated the strategy content in his vision. Essentially, he was referring strictly to decisions on global orientation of the firm or what we call strategic approach in this study. He reveals in "The Practice of Management" (Drucker, 1954), that the strategy of an organization reveals its overall orientation: What is the deal? Which should be the objects of the company? The author shows in his study how important is the market size and its development in the next five or ten years and which factors determine the market development. On this basis, the decisions on the organization's size and his business size. Peter Drucker's ideas were supported subsequently by Kenneth R. Andrews. In this regard, Kenneth Andrews defines strategy as the system of goals and objectives to help define the industry in which the organization is or agrees to enter, also the type of organization wishing to become (Andrews, 1971).

The second level is the strategy that provides decision regarding business structure or what some authors call business portfolio management. The strategy is constituted on the one hand as selection decision of areas that can generate the greatest long-term income and can fit in global business structure of the firm. On the other hand, the strategy is perceived like decision on internal structure and market administration to achieve
settled objectives. The first thorough and independent approach to strategy it belonged to Alfred Chandler in "Strategy and structure", published in 1962 in which he shown how a long-term coordinated strategy gives the company structure, direction and guidance. He said, "structure follows strategy". He defines strategy as "the determination of long-term goals and objectives of an enterprise, the adoption of courses of action and allocation of resources necessary to achieve the objectives." However, this definition does not allow differentiation of strategy-making from the strategy itself." A new strategy required a new or at least refashioned structure if the enlarged enterprise was to be operated efficiently." (Chandler, 1962). Immediately after Chandler other authors have developed over the years the idea of the connection between strategy and organization. Remember here Charles W. Hofer and Dan Schendel (1978), with their book "Strategy Formulation", who defined the strategy as a structure in the distribution of necessary resources for activities in relation to business objectives, an idea repeated in the following year in the book "Strategic Management "(Hofer and Schendel 1979). Also Jay Galbraith and Daniel Nathanson evident in 1978, the link between strategy and structure in global firms (Galbraith and Nathanson, 1978).

The third strategic level of system formulation is the business policies or authors often called business strategy to be distinguished from the business strategy as typical strategy. Policies adopted by a company are fundamental decisions on businesses that operate. Policy concept designates generally a guide to action or a way of conduct which manifests the firm in the market in the process of doing business. By business policies are defining organizational policies as guidelines governing the organizational relationships and functional role that it has every function and department. Igor Ansoff was the first specialist who took the actual differentiation between developing a strategy and the strategy itself. Igor Ansoff gave new meanings the term strategy, which may be defined as the ability to define itself the primary objective of a firm, or an industry. Igor Ansoff treated strategy, first in his classic study "Corporate Strategy" published in 1965 and in subsequent studies, as the common axis of the organization's activities in the field of products/markets towards are oriented. He have defined the terms like: growth vector, competitive advantage and synergy (Ansoff, 1965, 1974). At the same time, Kenneth Andrews in a previous book of his concerns in the early 70s, approaches the business policy as a support firms' competitiveness (Andrews, 1965). In the 70's has strong developed the business portfolio theory which demonstrate how small businesses can get big with strong competitive advantages profits (high returns). This stage of conceptualization of the strategy was summarized at the highest level in 80 years, on the Michael Porter studies through his book Competitive Advantage. Number one world specialist strategy of 90s, Michael Porter uses the term "generic strategy", showing that it is " fundamental approach specification to obtain competitive advantage sought by firm, providing the context of the actions taken in each functional area. In practice, however, many strategic plans are lists of action phases without a clear articulation of competitive advantage that is intended to achieve and how to use "(Porter, 2006).

The fourth level of strategic system is taken by strategic planning as coordinating part of the interactions that take place within the organization due to interactions that the organization as a whole has with the environment and market of action. Relations with the environment cause a whole chain of organization interactions that materialize in a particular market dynamics of the products generated by the organization. In these circumstances the organization must manage in a planned way the consumer interactions with products, managing issues that need addressing to necessity, acceptability, accessibility the possibility of buying. So that optimal decisions must make at this level, a new kind of managers emerged over time, they called product managers. They will be in charge including internal interactions imposed by the proper product performance, having to manage all interactions with functional managers like commercial director, production manager, director of research and development and chief financial officer. Henry Minzberg is the most powerful exponent of the theory of strategic planning of business. According to Henry Mintzberg, strategy is both: (1) a plan that establishes a course of action to solve a problem, (2) a maneuver designed to ensure passing a direct competitor and getting an advantage on it, (3) a pattern of conduct, which sets out a series of interactions tailored to a specific context, (4) a firm position, the way to set out the firm on the environment coordinates, (5) a perspective that reflects the perceptions of members of the organization on its future activities (Mintzberg et al., 1991). In addition, in the famous 1994 study, "The Rise and Fall of Strategic Planning", he criticizes some of the practices of strategic planning (Mintzberg, 1994). Specialists who launched the idea of a coordinated planning strategy were also the teachers Raymond Miles and Charles Snow. In their 1978 book, Raymond Miles and Charles Snow propose besides administrative dimension of the strategy as planning process other two dimensions: technical and entrepreneurial dimension. The entrepreneurial dimension of the strategy is the ways by which the company intends to manage interactions with the market. At the same time technical dimension of the strategy involves options by which a company manages to implement solutions to business issues through consistent operational processes. From the point of view of the entrepreneurial dimension of the strategy the authors consider that organizations have four types of behaviour that shapes their interactions and dynamics in the market: prospector, defender, analyser and reactor (Miles and Snow, 1978). Also George Steiner occupies a special place, who did a
truly scientific approach to strategic planning in his book "Strategic planning", which states that strategic planning takes into account the chain of cause and effect and consequences for the decisions which a manager will take. Thus strategic planning is considering alternative scenarios of actions to be carried out in the future (Steiner, 1979). It is clear from this approach to strategic planning level, how important are interactions and their management as a basis for obtaining results/effect.

In the fifth level of strategic system we found functional planning. Functional planning transforms strategic planning for a product into specific processes that specifies details of how each function should act to achieve the tasks involved in developing the product in accordance with the criteria set by the product manager. Detailing by the functional planning also allows clarifying those aspects of strategic planning that must be translated into reality through practical activities. Through functional planning are created functional networks for each process and a global functional network for each product managed by the organization.

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<td><strong>Research and Development</strong></td>
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From the late 50s until the early 80s specialists introduce the concept of functional management planning. Among them Harold Koontz and Cyril O'Donnell, describe their studies defining the functional aspects of the organization and operation principles of functional management, launching concepts such as planning, coordination, leadership and control (Koontz and O'Donnell, 1959, 1972). Another illustrious specialist, George Steiner (1979), in his book "Strategic planning", mentioned earlier, provides practical advice not only on strategic planning but also on how this strategic planning translates into functional action plans. Functional planning is a strategic component of the system that focuses on the analysis and design of workflows and processes within an organization. The role of functional planning has been more pronounced with the advent in the early 90s the concept of reengineering as a form of improving operational flows. Authors such as Thomas Davenport along with James Short by a Sloan Management Review article (Davenport and Short, 1990) and Michael Hammer by a Harvard Business Review article (Hammer, 1990) discussed the growing impact of the functional planning through a set of ongoing processes of innovation and radical change of processes and workflows within each function of the organization. According to Davenport (1990) planning a business process requires a set of logically related tasks performed to achieve a defined business outcome. The conclusion is that strategic and functional planning is designed to help organizations fundamentally rethink how they do their work, following two directions: increasing business value by improving the product and customer service value, reducing costs and especially the operational cost. The final effect is to just reach a maximum efficiency of each process on which is based the future profitability on business field, business unit profitability and effectiveness of the entire organization.

The next level, the sixth, is operational programming, managing the level of operational flows that occur at some point within the organization. For proper functioning of the organization it is necessary to run the flows in a continuous system, requiring programming in a parallel or sequential way, so that there is no interruption or duplication thereof. Tracking operational flows program is essential for overall system functionality but also to achieve maximum productivity of operational networks whithin organization. Authors such as James Brian Quinn, Henry Mintzberg and Robert James are defined strategy as both organizational and...
functional element and the operational element. In this respect they consider strategy as “a pattern or plan that integrates in coherent major goals of the organization, its policies and programs.” In their vision, a strategy contains three essential elements: the most important objectives to be achieved; most significant policy issues; programs to achieve the objectives (Quinn, 1988).

The last level of strategic system, the seventh, relates to the operational projection in order to increase output operation and the performance all factors of production. In this way it identifies the most advantageous operating patterns in such a way that the production factors showing the highest returns and no part of the resource provided are not wasted. Operational design (projection) issue along with the programming and functional planning has been strongly developed in the 80s and 90s by management specialists taking often as study the Japanese management models. These studies after 80 years have developed a current study based on methods and management techniques development in strategic management. This process has been greatly influenced and driven by Japanese expansion in international markets, expansion attributed to superior efficiency, productivity and return on investment. Among the numerous operations management studies occurring during that period we can mention a few: Schonberger, R. - Japanese Manufacturing Techniques (1982), Pascale, R., Athos, A. - The Art of Japanese Management (1981), Ohmae, K. - The Mind of the Strategist (1982), Peters, T., Waterman, R. - In Search of Excellence (1982); Rehfled, JE - Alchemy of a Leader: Combining Western and Japanese Management Skills to Transform Your Company (1994).

4. Conclusions

Even if in the various prior periods all the levels of strategic system have been identified, the main issue in the current period is the unintegrated study about the levels of strategic management: top management (corporate management), middle management (functional management) and lower management (Operations Management).

Therefore it is time transition to a new model of integrated analysis in strategic management by extending the notion of strategic system and gradually abandoning the singular notion of strategy. So at this point we can consider the strategic management of an organization not as a sum of strategies but rather as a complex set of action levels regarding global development through strategic approach, structure by strategies, management and decision-making relationship by policy, coordination through strategic and operational planning, and operationalization by operational programs and projects. For each level are necessary implementing measures in several stages, from setting targets through analysis and forecasting; continuing with decisions regarding options on short, medium and long-term, necessary resources, deadlines and implementing action of decision.

Using a management built on strategic system overall organization's performance can be achieved. Performance is not only expresses with the indicators of effectiveness and efficiency. Performance of a proposed strategic system concerns a complete set of indicators according to the seven levels of the strategic system. These indicators are: capitalization- strategic approach level, efficacy- strategy level, profitability / competitiveness - business policies level, return- strategic planning level, efficiency- operational planning level, productivity- operative programming level, and design performance - operations level. The performance of all these integrated indicators should be the same, meaning that the proposal and obtaining a performance level too high or too low for one of the indicators in relation to others will cause imbalances and depreciations of performance in all other levels of the system.

A strategic system has unique character given by the impossibility being replicated in the same or another organization or in a different stage of evolution of the same organization. Also a successful formula of a strategic system that underpins a business may not have a permanent nature. What is viable for a particular business, a particular firm in a given period of time will not work at the same parameters for another business to another company in a different time period unless if could maintain constant environmental conditions, which is impossible in a real world.

5. References:

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