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IMPLEMENTING STRATEGIC MANAGEMENT IN SOCIAL ECONOMY ORGANIZATIONS

Abstract:

Organisations are open systems in constant interaction with their environment. This environment is made up of various factors that organisations cannot control, but which can strongly influence them. It is therefore essential for organisations to analyse their environment in order to take advantage of its potential and protect themselves against its threats. To this end, strategic management is fundamental to guaranteeing their sustainability and positive social impact in the long term.

This study aims to analyse the application of strategic management fundamentals in social economy organisations in Portugal. These organisations, such as cooperatives, associations, foundations and other non-profit entities, work with a focus on the common good, social inclusion and sustainable development - which makes strategic management even more important, as they need to balance social objectives with organisational efficiency.

Based on a questionnaire survey of managers of social economy organisations in the central region of Portugal, this research aims to analyse the process of implementing strategic management in these organisations, to find out about the respective indicators, targets and monitoring processes, as well as to assess the implementation (or not) of improvement processes in the development and implementation of new strategies.

Preliminary results show that managers are committed to planning and setting medium- and long-term objectives, but reveal some weaknesses when it comes to establishing alternative scenarios and assigning responsibilities for implementing the strategies defined. Some planning is also evident, but with weaknesses in redefining new strategies and involving employees, partners and the community in general.

Keywords:

Non-profit organzations; Social economy; Social economy organizations; Strategic management

INTRODUCTION

Strategic management is fundamental for organisations because it allows them to define a clear direction, align resources and efforts with long-term objectives and ensure adaptation to the competitive and constantly changing environment. According to Mintzberg, Ahlstrand & Lampel (2000), strategy helps organisations anticipate opportunities and threats, identify internal strengths and weaknesses, and formulate plans that increase their ability to survive and grow.

In the particular case of social economy organisations (SEOs), strategic management is even more challenging, as it aligns the social mission of these entities with their economic sustainability and community impact. It is based on ethical and solidarity values, prioritises social impact over financial results, and takes as its most important challenge the balance between organisational efficiency and fidelity to its social mission (Defourny & Nyssens, 2012). Thus, the social mission guides strategic decisions and financial sustainability is seen as a means rather than an end (Borzaga & Tortia, 2006).

The proposed study aims to analyse the application of strategic management fundamentals in social economy organisations in Portugal.

LITERATURE REVIEW

Currently, organisations, particularly social economy organisations (SEOs), face the challenge of scarce resources and the need to adapt to a society with increasingly emerging and complex challenges, resorting to environmentally sustainable and socially responsible modes of production.

Chiavenato (2014) argues that management enables an organisation to effectively achieve its objectives, thus allowing for better use of resources and more efficient preparation of the organisation to face situations of change. Management can therefore also be associated with a process of coordination and integration, through planning, organisation, direction and control, aimed at ensuring the achievement of the defined objectives. In order to respond to new challenges, planning and strategic management are of paramount importance for the survival of organisations, requiring constant internal and external analysis of their position in the market, with flexibility, creativity and innovation.

For managers, who may perform their duties at the institutional, intermediate or operational level, it is essential to use strategy as a tool for successful management. Adopted from the military domain by the business world, strategy is a rule for decision-making in contexts of uncertainty or risk (Lisboa, Coelho, Coelho & Almeida, 2011). According to Sotomayor, Rodrigues & Duarte (2018), strategic management aims to administer the future of the organisation in a structured, systemic and intuitive manner, consolidating a set of principles, standards and functions to harmoniously leverage the planning process for the desired future situation of the organisation as a whole, and its subsequent control in the face of environmental factors. It also includes the organisation and management of organisational resources in a way that is optimised for the environmental reality, such as maximising interpersonal relationships. Jager (2010) also argues that strategic thinking and planning are essential, involving decisions regarding the organisation's long-term goals and strategies. As a process for determining in advance the actions to be taken and how to implement them, it is becoming increasingly essential, especially for senior management and top managers, to use strategic planning that formulates, in advance, in an innovative and creative way, the overall strategy for the organisation (Lisboa et al, 2011), whose instrument, the strategic plan, must demonstrate the mission, policies and values embodied in objectives and instruments that ensure the effective pursuit of those objectives. This process includes, from the outset, the stages of defining the vision and mission, analysing the internal and external environment, formulating objectives, formulating concrete strategies and subsequent evaluation, selection, implementation and control. There are several models used for the implementation of strategic management. One example is the strategic management model proposed by Thomas L. Wheelen and J. David Hunger (Weelen & Hunger, 2008), which consists of four basic elements: a) Assessment of the business environment; b) Formulation of the strategy; c) Implementation of the strategy; d) Evolution and control, which we follow in this work.

In response to the new needs and challenges raised by change, various organisational models have emerged in the context of SEOs, aimed at satisfying the needs of their members and the community. These are characterised by a democratic functioning and, unlike the conventional economic model, their immediate objective is not profit, but rather the creation of a response to needs that, due to their characteristics, cannot be satisfied by the conventional model and the State. As they do not aim to accumulate capital based on increased consumption, these organisations present themselves as a more equitable, socially just and sustainable alternative to the current capitalist economic model.

In Portugal, the Basic Law on the Social Economy also identifies the legal and institutional forms of most social economy initiatives, grouping them into four categories: mutual societies, cooperatives, associations and foundations. The social economy is an integral part of the European social model and plays a key role in pursuing European policy objectives, to which the social economy actively contributes, particularly in terms of employment, social cohesion, entrepreneurship, governance and local development, among others (Santos, 2025). As described in the report "The Social Economy in the European Union" (Chaves-Avila & Monzón, 2012), SEOs are private entities, formally organised, with decision-making autonomy and freedom of membership, created to meet the needs of their members by Monzón, 2012), SEOs are private, formally organised entities with decision-making autonomy and freedom of membership, created to meet the needs of their members by producing goods and services and ensuring financing, and where the decision-making process and the distribution of benefits or surpluses among members are not directly linked to capital. More and more organisations are recognising the importance of strategic management and investing in strategic planning as a way of adapting and expanding into the market that is opening up to them.

METHODOLOGY

The methodology used is quantitative in nature. It consisted of a questionnaire survey of managers working at different levels of management in SEOs in the central region of Portugal. The questionnaire questions adopt a Likert scale structure and include questions that highlight managers' opinions on the following areas: 1) strategy formulation and choice; 2) implementation of strategic choices; value creation. The sample was selected for convenience, considering the relevance of the institution in the sector and in the region and the authors' greater accessibility to the institutions.

The questionnaires resulted in 16 responses from 4 different SEOs. The responses obtained reveal the profile of the respondents: 75% are female, with the majority of respondents aged between 35 and 44, who have been working for the entity for more than 5 years. Around 69% of respondents have a bachelor's degree and 31% have a master's degree.

ANALYSIS AND DISCUSSION OF THE RESULTS

The results obtained, with regard to the 1) formulation and choice of strategies, show that the prevailing perception is that the organisation's employees are aware of its strengths, weaknesses, threats and opportunities, revealing the existence of global and specific analyses that take into account the organisation's external and internal environment. The analysis of the organisation is considered a fundamental step in the development of organisational strategy, allowing managers to obtain information that enables the formulation of the strategy to be implemented. Most respondents identify that the organisation's mission and vision are formally defined, which means that organisations clarify who they are, what they do and what they want to achieve. Regarding the existence of methods for comparing performance with similar entities, most respondents reported a lack of knowledge or absence of management techniques such as benchmarking. This performance comparison can be advantageous, as it enables knowledge of the competition and the study and planning of differentiation from it.

With regard to economic and financial sustainability and the fulfilment of the mission, 10 respondents, out of the 16 responses obtained, abstained or disagreed on the existence of such sustainability and the fulfilment of the mission. Even so, most respondents admit that there is some kind of reflection process that allows them to anticipate future developments, confirming the existence of strategic thinking and planning within the organisation. We can therefore conclude that strategies are being formulated, but that the subsequent stages of implementation and monitoring are equally important.

It is also clear that most institutions set médium and long-term objectives. However, respondents' opinions are divided on whether organisations consider alternative scenarios and on the clarity of the allocation of responsibilities in the strategy implementation process.

There is broad agreement among respondents on the timing and distribution of resources in the implementation of the strategy, demonstrating the presence of planning. Half of the respondents consider that the strategy implementation process is clear in defining employee priorities. Employee involvement and motivation are fundamental to achieving institutional objectives, so we believe it is important for organisations to take their priorities and needs into account in the leadership process.

Regarding topic 2) Implementation of strategic choices, in the questionnaire, most respondents agree that the entity takes into account the needs and capabilities of those involved in strategic formulation, and there appears to be stakeholder involvement. There is also agreement on the existence of indicators and periodic targets and on the translation of strategies into action plans, identifying the resources necessary for their existence and methods for comparing performance with similar entities. However, there are doubts about the alignment and framing of resources with the key vectors of the strategy recommended by the entity. Most agree that there are formal procedures for collecting up-to-date information on the evolution of the community, potential users and their needs. Knowledge of the needs of the community where potential customers are located can enable the development of forward-looking strategies that provide appropriate responses to demand; the lack of such knowledge can leave the organisation adrift. According to the responses obtained, most organisations have already used or are using external entities to support the development and consolidation of new strategies. Opinions are divided on the frequent review and discussion of indicators and performance targets. Given that markets are changing, it seems important to carry out systematic monitoring and review of previously established indicators. Finally, there seems to be a lack of awareness about taking corrective measures when deviations from the strategy are identified, which, if confirmed, could reveal a lack of flexibility in organisational management.

On the last topic of the questionnaire, 3) Value creation by the organisation, most respondents consider that the entity is able to identify the externalities it generates. Knowledge of externalities is essential because, when negative, it is important to mitigate them, e.g. through social and environmental responsibility actions, and when positive, they can contribute to the organisation's differentiation, presenting themselves as a value factor to patrons.

Opinions differ regarding the community's perception of the value created by the organisation. We believe it is important that, through communication processes, the community has access to information about the value created by the organisation, as this can bring the organisation closer to its potential customers. There is majority agreement that the organisation is constantly concerned with improving the key processes that create effective value for its users, but there seems to be less certainty about user consultation in the process of developing the organisation's mission, thus demonstrating an attitude of customer involvement in decision-making processes. Finally, responses diverge on the use of information about the added value provided to the community and users in marketing strategies, which may mean that many organisations could still improve their external communication strategies.

CONCLUSIONS

The proposed work aimed to understand the application of strategic management tools in OES in Portugal, particularly with regard to their definition and implementation, as well as value creation.

Based on a questionnaire survey of organisation managers, it was found that most of the organisations surveyed analyse their internal and external environment, which they can do using various methodologies, including the SWOT Matrix, Porter's five forces model and the PEST model. The data reveal that they have a well-defined mission and vision that is recognised by their employees and that they are aware of their strengths, weaknesses, threats and opportunities. There appears to be little comparison of performance with similar entities, revealing a limited practice of benchmarking, which may reflect a lack of knowledge of the market in which they operate. Knowledge of the performance of similar entities could also be an opportunity for learning and knowledge. Respondents acknowledge the commitment of managers to planning and setting medium- and long-term objectives, but report some weaknesses in establishing alternative scenarios and assigning responsibilities for implementing the defined strategies. Once again, the existence of some planning stands out, but with shortcomings in defining how the strategy will be implemented and in employee involvement.

With regard to the implementation of strategic choices, the following weaknesses are common to most organisations the lack of methods for comparing performance with similar entities; the lack of alignment and framing of existing resources with the key vectors of the recommended strategy; the lack of frequent review and discussion of targets and performance indicators and the lack of timely corrective measures to correct deviations, which reflects flaws in the control of strategic implementation, resource management and the definition of contingency plans.

With regard to value creation, there appears to be room for improvement in strategies that enable the measurement, valuation and dissemination of positive externalities, both to patrons/investors and to the community. The internalisation of externalities could enable the entity to differentiate itself and constitute a competitive advantage. The responses also convey the idea that there is room for greater community involvement as a key element in the development of the mission. The data also reveal a weak use of the value generated by positive externalities in the organisation's communication and dissemination processes, for example in marketing campaigns.

In view of the above, we conclude that strategic planning is not seen as essential by SEOs in Portugal. It exists, but in an informal way, often taking the form of annual activity plans and reports based on a short or medium-term vision, with long-term strategies being scarcer. The resource constraints commonly experienced by SEOs can be limiting for the development of long-term strategies, as a 'firefighting' approach is often required. In conclusion, this analysis allows us to assess that there is still considerable room for improvement in strategic management in social economy organisations.

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