

## Strategic Management in Slovak Enterprises - A survey findings\*

Štefan Slávik\*\*

*The paper deals with exploring the level of strategic management in Slovak enterprises after nearly 10 years of transformation from centrally planned to the market economy. It evaluates selected parts of strategic management process considering both size categories of enterprises and several selected industries. It characterizes business environment in these industries and indicates how the enterprises in examined industries know their external environment and how they are able to orientate themselves within the environment. Practical result of this study is that it reveals the weaknesses in firm's strategic management in the period of transforming economy and identifies the possibilities of its further improvement.*

*Der Artikel befasst sich mit dem Grad der strategischen Unternehmensführung in der Slowakei nach knapp zehn Jahren Umwandlung zentral geplanter Wirtschaft in die Marktwirtschaft. Er bewertet ausgewählte Teile des strategischen Führungsprozesses aus Sicht der Grössenkategorien der Unternehmen, und aus Sicht einiger ausgewählter Industriegebiete. Der Autor charakterisiert auf diesen Gebieten das unternehmerische Milieu, und weist darauf hin, wie stark die Unternehmen ihre externe Umgebung kennen, und wie sie sich darin orientieren. Das praktische Ergebnis der Studie zeigt Schwachstellen in der strategischen Unternehmensführung der sich umwandelnden Wirtschaft, und identifiziert Verbesserungsmöglichkeiten.*

---

\* manuscript received: 27.03.2000, revised:21.09.2000, accepted:04.10.2000;

\*\* Štefan Slávik, (1955), PhD., Associate Professor of the Department of Management at University of Economics in Bratislava, Slovakia. Major areas of research interest: general management, strategic management, competitive advantage, change management.

## 1. Introduction

The term and methods of strategic management had been experienced and used very little within the enterprises in centrally planned economy. In the 80's some modern knowledge of business management had been extended from the western theory and practice into the socialist enterprises too but its use and application had been only marginal because under economic and political conditions of that period had not been very necessary or useful. State dirigism, common ownership of production means, centrally fixed goals, specification and itemization of the state plan to individual industries and enterprises, almost non-existing competition at internal markets, full employment, prices fixed and regulated by the state, state monopoly on foreign trade as well as other factors had situated the enterprises into the position of passive executors of the state will. Decisive parameters of business environment and also, to a high degree, of in-house environment had been determined by the state. The term of strategic management had been substituted by terms and methods such as conceptual management and long-term planning resulted from the knowledge of modern management in the market economy but their use and effectiveness had been very reduced. They had become a part of the theory and academic discussion rather than the real practice.

At the beginning of the 90's after the change of political and subsequently economic regime the enterprises found themselves in very different situation. Political and economic freedom, process of transformation from the centrally planned to the market economy, privatization, free pricing, free access to foreign currency, all these facts provided the enterprises with an opportunity of independent decisions on their own future. At the same time the markets in Central and Eastern Europe (CEE) broke down. At the internal markets of CEE, suddenly unprotected, there entered an aggressive foreign competition and rivalry even among inland companies began to develop. There started an unexpected growth in price level, inflation and unemployment. Till then the managers of state enterprises had assumed the only basic obligation - to negotiate on the volume of tasks and resources fixed by the state. In the new situation they had to identify needs of the market, to acquire external funds and decide independently upon the future of the enterprises they managed. On the agenda of the new economic life there appeared such terms as marketing, business economy, financial management, human resources management and strategic management.

## 2. Theoretical basis

Strategic management has arisen as a product of searching new methods of corporate management under permanently complicating conditions in the business environment. Increasing dynamics of changes exceeding to discontinuities, fast growth in investments risks, increasing capital intensity,

arising strategic surprises, intensive internal and global competition, impossibility to predict the behaviour of competitors, enormous growth in customers demand on the quality of products and services and on the time of delivery, and very many other factors were impossible to manage by traditional management methods. However, the procedures of strategic management guarantee neither fast nor easy success as superficial users often might think. These procedures may serve as a guide to variant alternatives which are to be further creatively thought out.

The process of strategic management consists of a firm's vision, mission and goals, analysis of both external and internal business environment, choice of a favorable strategy on both entrepreneurial and company level, propositions of organizational changes, administrative measures and control systems of the strategy implementation (Hill - Jones, 1992, Hunger - Wheelen, 1993, Johnson - Scholes, 1993). Based on given steps, the analysis of external and internal environment as well as the choice of a favourable and suitable strategy are commonly denominated as the strategy formulation. The set of measures aiming to implementing and carrying out the strategy is denominated as the strategy implementation.

The hierarchy of goals derived from time horizons differentiates long-term from short-term goals. There does not exist an unambiguous criterion for setting long and short- time horizons. The nature of business and industrial conditions play a certain role. In so-called heavy, matured and capital intensive industries with a remarkable extensive inertia of development such as mining industry, power engineering, petrochemistry and heavy engineering, both long-term and short-term goals have a more distant time horizon in comparison with so-called light industries such as textile and clothing industry, agriculture and foodstuffs industry influenced by fast changes in customers taste or by season impacts. In fast developing industries demanding on science and technology, shorter planning horizons are set in general.

Long-term goals aim to achieve effectiveness in sense of purposefulness. It depends on these goals whether a firm operates correctly. Short-term goals aim to achieve effectiveness in sense of economy. It depends on short-term goals how effectively the firm operates and whether uses its resources effectively.

The goals have to be set for all areas which are important for the existence and successful progress of the firm. These areas are marked as areas of key results. Considering the most general point of view we may differentiate a key area of a financial character from a key area of a strategic character. Setting **financial goals** is inevitable because the existence of the firm closely depends on their fulfilment. The financial goals determine the effectiveness by which the firm will value the capital invested. **Strategic goals** aim at enforcing general business position of the firm at the market. We can mention the following examples of financial goals: increase in sales, increase in profit, higher dividends, greater

margin, higher profitability of the capital invested, higher cash-flow, increase in share prices, reputation of a trustworthy, reliable deposit for potential investors, diversification in incomes sources, stable profits even including recession period, etc., (Thompson-Strickland, 1992). As examples of strategic goals we can mention as follows: a higher market share, leading position within the industry, higher quality of production, lower costs than those of competitors, wider or more attractive product line, favorable reputation for customers, top services for customers, technological or innovative leadership, capacity to compete at foreign markets, capacity to capture growth opportunities, etc., (Thompson-Strickland, 1992).

Business strategies focus on the issue of how the firm will compete in its business activities or in some of its market segments. The purpose of a business strategy is to take competitive advantage over the competitors. The competition may be essentially overcome by a different offer or by the offer of similar products but at a lower price or by combining the two sources of advantage. Generic theory identifies some common signs of firm's successful activities without relation to a set of limiting factors. This theory claims that particular strategies are almost always favourable and suitable regardless of a concrete situation. They are denominated as generic strategies. The most known of them disclosed M. Porter. Generic approaches (Porter, 1979, 1980, 1985) examine the complexity of individual situations and the empirical research has confirmed, in a majority of cases, their validity. However, it is debatable whether any generic strategy can cover all combinations of the strategic process.

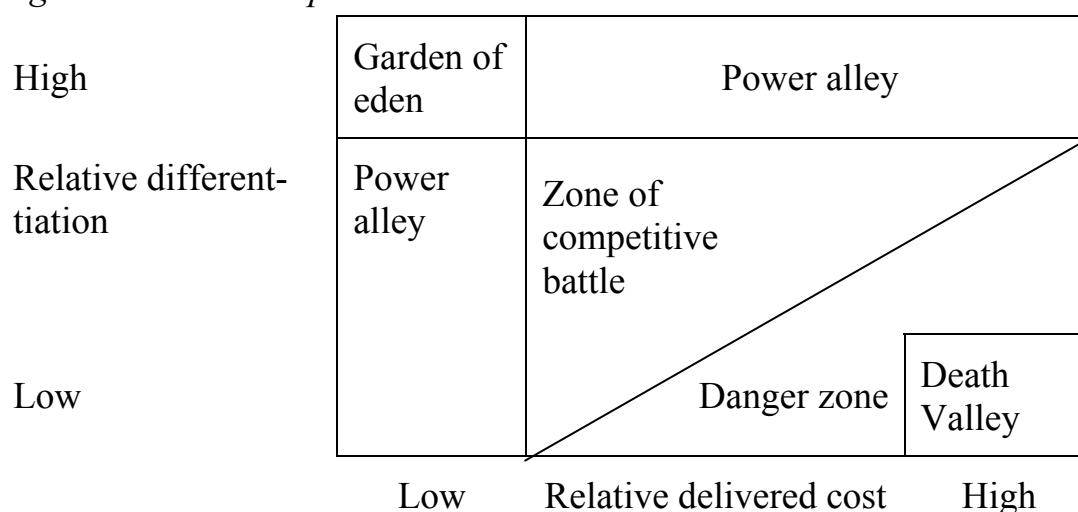
Current enforcing of the two generic strategies is supported by the research of W. K. Hall (Hall, 1980) who found that for practical purposes there existed only two generic strategies and that their combinations were successful:

- 1) Any firm in order to succeed can (and - in majority of cases - must) differentiate its products from all other products.
- 2) Firm has to achieve a costs position adequately to its capacity to differentiate the product.

An ideal combination between high differentiation and low costs is almost invincible at the market. High differentiated product is also successful if provokes a great demand in spite of rather high costs. Similarly, little differentiated and low costs product will still be able to compete. Figure 1 shows a potential profit position resulting from the combination between differentiation and low costs. A firm which disposes of highly differentiated products or low costs products takes a „power alley“ at the market. A firm which has a double access to the „power alley“ by means of both differentiation and low costs comes into „garden of eden“ where it is almost impossible to lose the competitive advantage. On the contrary, high costs and low differentiation throw the firm into a „death valley“. Hall's competitive model enables a fast and clear

orientation within the competitive environment and reasons out the firm's strategic position adequate to its capacities.

*Figure 1. Hall's competitive model*



The responsibility for the strategy shares the top management. It creates a strategy as a driving idea and objective. This creative activity can be delegated neither to subordinates nor to specialized department. Top management as a group of top line managers dominates over the largest management room, it can draw knowledge and experiences from the largest area, has established the strongest relations, contacts and its power can influence the strategic behaviour of the whole firm. However, in the course of the strategy creation and implementation do not take part only several top managers. Indeed, each manager is a creator and „implementator“ of the strategy in the area that he manages and shares responsibility for.

The legal form of small enterprises may be either limited company or the sole proprietorship. In the second case, the owners are identical with the managers, they have not at disposal any specialized department, so the work on the strategy is a matter of the owner and manager in one person. In large enterprises with the legal form of joint stock company, the ownership structure is divided. Hence, the work on the strategy is a matter of the company owners (shareholders), top management and specialized department but the executive body of strategic thinking is top management. The rational division between work and strategic thinking has become a problem. However, strategic management is not a part of management which might be fully delegated to headquarters. It is a cross-section discipline, so it must be executed by top management.

In the field of foresight and strategic thinking two basic modes have been developed, i.e. **predicting the future** typical for Western Europe and the USA and **inventing the future** typical for Eastern Asia (Raimond, 1996). The first mode is rigorous, analytical and quantitative. Based on its idea, western

managers view the company as a machine for processing information. They try to predict how various external forces will probably influence and shape the market. Then they set operations plans based on predicted future market forces. The second mode is subjective based on imagination, anticipation and original ideas. Japan managers think of their company as a living organism within which sharing an understanding of what the company stands for, where it is going, what kind of environment it wants to live and how to make that world a reality becomes more crucial than processing objective information. Inventing the future is a creative imagination of the future state. Foresight in this creative approach is concerned not to predict what will be, but what it ideally could be if we could make it happen. Though, the future is not fully predicted, but provides possibilities for free actions.

The preference of the strategic thinking based on predicting the future consists in a lot of planning techniques, such as PEST analysis, industry analysis, market research, macro-economic forecasting, discounting cash flow as well as monitoring tools, such as managerial information systems, budgeting, benchmarking and managerial accounting. However, analytical tools provide the company neither with creative power nor emotional involvement to declare visions. Strategic thinking based on inventing the future does not dispose of well-developed set of techniques and tools.

The above given modes of strategic thinking represent an ambiguous view on the future business environment which may be filled up as follows (Courtney-Kirkland-Viguerie, 1997):

- unambiguous future where residual uncertainty is not decisive for strategic decisions,
- variant future described by a set of discrete scenarios; uncertainty is expressed by the probability that some of the scenarios will occur,
- combined future described by a set of overlapping scenarios,
- unpredictable future which is uncertain, its motive powers can neither be quantified nor sometimes even defined.

Turbulence is a typical and obvious quality of business environment in the 90's. The characteristics of the turbulence explored I. Ansoff and P. Sullivan. They described it by the measure of the degree of changeability (or discontinuity) and predictability of the firm's environment. The turbulence is described by five different levels. Each level is further described by four factors which determines the turbulence level:

- 1) Complexity of events which occur in the environment.
- 2) Familiarity of the successive events.
- 3) Rapidity with which the events evolve after they are first perceived.



#### 4) Visibility of the consequences of these events.

Descriptions of the four elements at each turbulence level are shown in Tab. 1. The environment at turbulence level 1 is essentially unchanging. When change does occur, it is very slow and response is gradual over a long period of time.

In an environment at turbulence level 2, change is slow and incremental. The firm can respond in the time between initial and full impact of the change.

At turbulence level 3, change is fast and incremental. The future is a logical extension of the historical past. Firms at this level must have a forward-looking strategy, so response can start before initial impact of the change.

*Table 1. Turbulence scale of business environment (Ansoff – Sullivan, 1993)*

| Turbulence level      | 1                    | 2                      | 3                      | 4                      | 5                         |
|-----------------------|----------------------|------------------------|------------------------|------------------------|---------------------------|
| Complexity            | National Economic    | +                      | Regional Technological | +                      | Global Socio-Political    |
| Familiarity of events | Familiar             | Extrapolable           |                        | Discontinuous Familiar | Discontinuous Novel       |
| Rapidity of change    | Slower than response | Comparable to response | Faster Than Response   |                        | Much Faster Than Response |
| Visibility of future  | Recurring            | Forecastable           | Predictable            | Partially Predictable  | Unpredictable Surprises   |

At turbulence level 4, change is very fast and discontinuous, and the future is only partially predictable. Since the future bears little or no resemblance to the historical past, firms must have both a forward-looking strategy, and an environmental scanning system that is not based on extrapolation of the past.

The environment at turbulence level 5 is full of surprises. Change is moving so fast, and the environment is so unpredictable that even well-managed firms will experience strategic surprises.

Ansoff and P. Sullivan claim that if a firm is to survive and be successful in a given industry, it must match the aggressiveness of its strategic behaviour and perception of external changes with the variability/changeability of demand and opportunities at the market. Ansoff assumes, the more turbulent is the environment the more aggressively must the firm compete and make business in order to succeed or must change its orientation and perceive more sensitively its environment.

Considerations on the future strategy depend not only on the knowledge of business environment but also on the firm's attitude to this environment. Based on the level of external uncertainty and internal ambitions, the firm can take up some of the following attitudes which eliminate each other:

- passive: indifferent to impulses from external environment,
- reactive: responding ex post to external changes,
- proactive: securing itself in advance against negative impacts of external changes,
- wait-and-see: being ready and prepared to proper moment to use an opportunity,
- adaptive: responding fast and flexible to opportunities at the markets,
- creative: playing an initiative role when new industry arises.

### **3. Methods of work**

The survey of the content and methods of strategic management in the Slovak enterprises had been conducted in the period of October-November 1998 by students of the fourth class of the Faculty of Business Management at the University of Economics in Bratislava (Slovak Republic) as a part of courses in the scope of obligatory subject „Strategic Management“. Examined set consists of 306 enterprises from 16 industries: 57 small (1-24 employees), 137 medium (25-500 employees) and 112 large enterprises (over 500 employees). The data had been collected by means of questionnaire, and each student made inquiries in only one enterprise. The majority of questions had been commented in details in the questionnaire appendix in order to increase the reliability of responses. Two classification criteria had been used, i.e. size of firm and type of industry. The first part of the survey examines and evaluates the level of strategic management considering the size of firm. The findings are classified into five thematic units as follows:

- vision, mission and goals of a firm,
- use of analytical methods and the strategy formulation,
- types of business strategies and causes of their success or failure,
- responsiveness for strategic management,



- communication.

The second part of the survey examines and evaluates the level of strategic management in a concrete industry. The set of 306 enterprises was divided into 16 industries. Regarding to the great number of industries there will be presented only findings from the most numerous industries, i.e. chemistry (45 enterprises), foodstuffs industry (43), services (35), engineering (34) and construction industry (32)<sup>1</sup>. The findings are classified into three thematic units:

- time horizons of strategic and financial goals,
- stability of business strategy,
- types of business strategies and causes of their failure.

The third part of the survey deals with experiences, knowledge, extent and intensity of competitors, predictability and variability of business environment in selected industries as well as with the firms' attitudes to the future within the given industries.

The findings are expressed quantitatively as a percentage of frequency of examined parameters within the given size category or selected industry.

## 4. Findings and discussion

### *4.1 Evaluating the level of strategic management by size categories of enterprises*

Nearly 75 % of small and medium enterprises and 90 % of large enterprises from the examined set formulate their vision. The mission is formulated in approximately 85 % of small and medium sized enterprises and in 93 % of large enterprises. However, from a more profound exploration results that the majority of visions has only a declarative and too general content, they are lack of origin, attractive and surprising ideas. Visions are not created on the basis of internal needs and ambitions of top management. They are, in the majority, only a decorative supplement of annual reports and a manifestation of a formally well-realized strategic management but without real internal concern. The missions are much more meaningful than visions. When we determine what a firm really produces, the orientation to concrete products or services prevails over the

---

<sup>1</sup> according to OECD classification of ISIC the standard nomenclature of industries are :

- chemistry – DG Manufacture of chemicals, chemicals products and man-made fibres
- foodstuffs industry – DA section 15 Manufacture of food products
- services – K Real estate, renting and business activities, research and development
- engineering – DK Manufacture of machinery and equipment N.E.C.
- construction – F Construction

This classification was made according to publication : Industrial classification of economic activities. Statistical Office of Slovak Republic. ŠEVT, Bratislava 1994

definition of needs which the firm should satisfy. The missions only rarely reason out why a firm produces just what it really produces and which effect its existence has in a wider social context.

Table 2 shows given types of strategic goals ordered by the highest frequency, e.g. 60 % of small enterprises and 75 % of medium and large enterprises set in the first place the production quality as a strategic goal. All size categories set strategic goals most frequently for the period of 1 - 3 years, in small enterprises prevail shorter periods and in medium and large enterprises prevails a longer period, e.g. nearly 40 % of large enterprises set strategic goals for 3 - 5 years and nearly 20 % for 5 - 10 years.

*Table 2. Content and frequency of strategic goals*

| Order | Small enterprises    | Medium enterprises                   | Large enterprises                    |
|-------|----------------------|--------------------------------------|--------------------------------------|
| 1.    | production quality   | production quality                   | production quality                   |
| 2.    | image, goodwill      | market share                         | market share                         |
| 3.    | top services         | image, goodwill                      | penetration at international markets |
| 4.    | market share         | position in industry                 | position in idustry                  |
| 5.    | position in industry | penetration at international markets | image, goodwill                      |

In table 3 there are shown financial goals ordered by their most frequent occurrence in the examined set, e.g. approximately 75 % of enterprises of every size set sales and profit as their financial goals. Small enterprises set financial goals most frequently for the period of one year (60 % enterprises), medium and large enterprises for 1 - 3 years. Comparing with strategic goals we may see that there prevails the orientation to a shorter planning period. The content and time horizons of strategic and financial goals correspond with the practice used in developed countries (see Simon, 1994).

Some standard methods of strategic analysis have yet penetrated in our business practice. At the first place there is, without any doubt, SWOT analysis that is used in 56 % small, 70 % medium a 76 % large enterprises. At the second place, after a remarkable distance, there follow mathematical and statistical methods of forecasting, value and costs chain and the Porter model. Portfolio methods, the analysis of internal profile of the firm's capacities and heuristic forecasting methods documented a low percentage. In spite of relatively large penetration of these methods into the practice, their importance is often only illustrative and the

real decisions result from other, different criteria. The mentioned methods are so far profaned that they are not taken as serious and hardly anybody accepts their results interpretation. It is difficult to apply them due to an elementary ignorance of the environment within the industry, e.g. size and rate of growth in the industry, number and greatness of competitors, etc.

*Table 3. Content and frequency of financial goals*

| Order | Small enterprises | Medium enterprises | Large enterprises |
|-------|-------------------|--------------------|-------------------|
| 1.    | sales             | sales              | sales             |
| 2.    | profit            | profit             | profit            |
| 3.    | ROI               | cash flow          | cash flow         |
| 4.    | margin            | ROI                | ROI               |
| 5.    | cash flow         | margin             | margin            |

*Table 4. Strategy formulation*

|                                      | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|--------------------------------------|-----------------------|------------------------|-----------------------|
| a) explicitly, rational reasoning    | 65                    | 69                     | 92                    |
| b) explicitly, spontaneous reasoning | 7                     | 11                     | 3                     |
| c) implicitly                        | 28                    | 16                     | 5                     |
| d) none                              | -                     | 4                      | -                     |

Almost all enterprises of the examined set affirmed that they had developed a strategy. However, from a more profound examination of the concrete strategies followed that a great amount of Slovak enterprises had not developed any qualified strategy at all. As shown in table 4, the strategies had been predominantly formulated based on rational reasoning and expressed explicitly (in written documents). The strategies had also been simultaneously revised and updated - most frequently within one year, as shown in table 5. This indication demonstrates an excessive rigidity of rational strategies as they are not able to response to all the complexities and changes in business environment. Real strategic activities in the enterprises might be revealed due to responses shown in table 6. Among the causes of a successful strategy there prevail both rational

and at the same time flexible attitudes of the firm as well as activities of a courageous top management capable to force its ideas. The impact of a strong and ambitious management as well as favourable co-ordination of both external and internal factors decreases moderately when the enterprise increases.

*Table 5. Updating and revising the strategies*

|                      | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|----------------------|-----------------------|------------------------|-----------------------|
| a) quarterly         | 21                    | 18                     | 10                    |
| b) every half-year   | 21                    | 19                     | 14                    |
| c) yearly            | 28                    | 46                     | 57                    |
| d) every two years   | 9                     | 7                      | 9                     |
| e) every three years | -                     | -                      | 4                     |
| f) other interval    | 21                    | 10                     | 6                     |

Failure of the strategy is, to a higher degree, attributed to the impact of external unpredictable and non-influenceable factors (tab. 7). There exists a suspicion that these quasi objective causes cover up other internal shortcomings in the firm's strategic management. The findings of comparing table 7, 17, 21 and 22 are shown in the section 4.3 of this paper.

The positions of examined firms in the Hall's competitive model are shown in table 8. They essentially affirm the rareness of strategies which are based on an extraordinary differentiation and simultaneously on very low costs. The Slovak firms are more orientated on searching the sources of competitive advantage in the field of low costs rather than in the field of differentiation. It follows probably from some inexpensive production factors, such as value of labor force or a lower degree of primary raw materials manufacturing. However, from the long-term point of view they do not represent sustainable sources of competitive advantage. More than a half of firms are situated in the area of competitive struggle. Within this area the intensive competition and non-presence of sustainable competitive advantage is typical. Too many firms have only a little competitive advantage which may be imitate very fast and by low costs. The fact that a few number of firms are situated in the dangerous zone and in the death valley may be a consequence of closing eyes before reality and unwillingness to admit the real state rather than a reflection of the reality.

*Table 6. Causes of a successful strategy*

|   | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|---|-----------------------|------------------------|-----------------------|
| a) high quality strategic analysis and synthesis                  | 8,4                   | 14,3                   | 21,2                  |
| b) rational and at the same time flexible attitude                | 37,0                  | 36,6                   | 36,8                  |
| c) spontaneous and surprising ideas                               | 6,7                   | 8,2                    | 4,7                   |
| d) unrivalled position of the firm                                | 5,9                   | 4,5                    | 6,4                   |
| e) courageous and ambitious management with a strong will         | 21,9                  | 18,0                   | 15,2                  |
| f) favourable co-ordination of both external and internal factors | 6,7                   | 4,9                    | 2,9                   |
| g) well-thought-out implementation                                | 10,9                  | 8,6                    | 9,9                   |
| h) other  | 2,5                   | 4,9                    | 2,9                   |

The responsibility for the strategy shares top management. It creates the strategy as a driving idea and objective. This creative activity can neither be delegated to subordinates nor to specialized department. However, the content of the strategy is also influenced by other groups of executive officers, as shown in table 9. In small enterprises a group of executive officers formed by director, top managers, wider range of employees in charge and specialists (items a), b), c), d) in table 9) influence the strategy by approx. 85 %; in medium and large enterprises it is nearly the same percentage share. Small enterprises are characterized by a high degree of centralization and by a special position of the director. In medium and large enterprises the responsibility is shared in favour of all members of top management. In large enterprises there increases the importance of the department of strategic management in which professionals within the given specialization take part. The consultancy even in large enterprises is used only scarcely and marginally. It does not correspond with the latest world trends orientated to establishing small departments of strategic management. When there is a need of having more employees or professionals the external consultants are hired. However, the strategic issues should be discussed not only

on the top management level but also between top management and groups of employees from every part of the firm.

*Table 7. Causes of strategy failure*

|   | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|---|-----------------------|------------------------|-----------------------|
| a) superficial strategic analysis and synthesis         | 4,8                   | 9,9                    | 6,0                   |
| b) rational but inflexible attitude                     | 4,8                   | 4,0                    | 8,4                   |
| c) spontaneous ideas with a short viability             | 4,8                   | 8,9                    | 3,7                   |
| d) weak position within the industry                    | 4,8                   | 7,9                    | 3,7                   |
| e) cautious and inactive management with a weak will    | -                     | 3,0                    | 6,0                   |
| f) external unpredictable and non-influenceable factors | 66,6                  | 38,6                   | 50,6                  |
| g) unmastered implementation                            | -                     | 10,9                   | 9,6                   |
| h) other  | 14,2                  | 16,8                   | 12,0                  |

In small enterprises only 1 or 2 employees deal with the issues of strategic management, in medium enterprises 3 - 5 employees and in large enterprises 6 - 10 employees.

In present times there are two generations of managers in the Slovak enterprises. The first one had been in position of executive officers still before 1990. The second generation, much more younger, has experienced other training, thinking and value system. In the future there will be interesting to observe how these two generations will co-operate. Senior managers dispose of whole life experiences but on the other hand, the younger generation started to learn modern management, masters foreign languages, communication techniques and computer technology. The younger generation is quality-demanding and at the same time aware of their qualities and aggressive in a positive sense of the word.



*Table 8. Position in the Hall's competitive model*

|                                  | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|----------------------------------|-----------------------|------------------------|-----------------------|
| a) garden of eden                | -                     | 3,6                    | 2,7                   |
| b) power alley (low cost)        | 19,3                  | 21,2                   | 25,0                  |
| c) power alley (differentiation) | 21,1                  | 16,1                   | 16,1                  |
| d) zone of competitive battle    | 59,6                  | 54,7                   | 51,8                  |
| e) danger zone                   | -                     | 4,4                    | 2,7                   |
| f) death valley                  | -                     | -                      | 1,7                   |

*Table 9. Responsibility for strategic management*

|                                      | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|--------------------------------------|-----------------------|------------------------|-----------------------|
| a) chief executive officer           | 53,6                  | 35,0                   | 21,3                  |
| b) other top managers                | 22,3                  | 35,6                   | 30,7                  |
| c) ad hoc team of executive officers | 9,1                   | 10,8                   | 12,6                  |
| d) dept. of strategic management     | 0,5                   | 5,6                    | 19,5                  |
| e) middle level managers             | 2,8                   | 7,1                    | 9,1                   |
| f) consultancy firm                  | 1,5                   | 2,3                    | 3,7                   |
| g) other                             | 10,2                  | 3,6                    | 3,1                   |

From the survey of sources of theoretical knowledge and skills required for the work in the field of strategic management results that there do not exist any remarkable differences in the level of acquired education within the size categories of enterprises (items a), b), c) in table 10). The executive officers in medium and large enterprises rely on the knowledge acquired in the course of their education, training and other courses by approximately 11 - 13 % more than the executive officers in small enterprises. However, the quality of that

knowledge may be debatable because the subject „Strategic Management“ had not been given at the Slovak universities till 1990. Therefore the managers older (in the time of this survey) than 35 years had had no possibility to study the subject „Strategic Management“. Other subjects in the scope of economic and managerial studies had been influenced by the character of centrally planned economy. A little bit more remarkable difference among the size categories of the firms may be observed in the item „practice“ which prevails as the main source of managers' skills in small enterprises. At the managerial level the technocratic education prevails, the managers dominate over the internal operations in the firm but they do not sufficiently dominate over the external environment, and are lack of a feeling for opportunities and threats.

*Table 10. Sources of skills required for strategic management*

|                                   | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|-----------------------------------|-----------------------|------------------------|-----------------------|
| a) regular resident education     | 22,8                  | 31,5                   | 29,3                  |
| b) training and courses           | 11,0                  | 13,4                   | 18,0                  |
| c) training and courses in abroad | 8,0                   | 8,0                    | 8,2                   |
| d) self-education                 | 15,8                  | 13,8                   | 12,8                  |
| e) practice                       | 42,2                  | 32,6                   | 30,6                  |
| f) other                          | 0,2                   | 0,7                    | 1,1                   |

A basic condition of implementing the strategy is the communication between top management as a creator of the strategy and other management levels where executive work prevails over creative participation in the firm's strategic management. From the findings of the survey shown in table 11 results that the verbal communication prevails remarkably over the written communication. In small enterprises there prevails providing information at the firm-wide meetings while in medium and large enterprises the information is provided within the organizational departments or divisions.

The companies of examined set pay a sufficient attention to implementing the strategy as shown in table 12. However, they are not always able to prepare effectively a complete set of measures which would contain all inevitable activities needed for the strategy implementation, such as announcing the new strategy, proposition of favorable and suitable organizational structure, implementation of supporting and control systems for administration, creating

the system of remuneration and stimulation, changes in company culture as well as realization of strategic leadership.

*Table 11. Ways of providing the employees with information on the strategy (the sum of items is not 100 %)*

|                                     | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|-------------------------------------|-----------------------|------------------------|-----------------------|
| a) verbally at company-wide meeting | 56,1                  | 35,8                   | 26,8                  |
| b) verbally within given dept       | 28,1                  | 56,2                   | 71,4                  |
| c) written in a company bulletin    | 5,3                   | 11,7                   | 7,1                   |
| d) written at a notice board        | 5,3                   | 20,4                   | 20,5                  |
| e) without providing information    | 5,3                   | 8,8                    | 0,9                   |
| f) other way                        | 19,3                  | 10,9                   | 11,6                  |

*Table 12. Strategy implementation*

|  | Small enterprises (%) | Medium enterprises (%) | Large enterprises (%) |
|--|-----------------------|------------------------|-----------------------|
| a) effective and complete set of measures  | 57,9                  | 46,0                   | 68,8                  |
| b) planned but uncompleted set of measures | 24,6                  | 40,1                   | 27,7                  |
| c) additional set of measures              | 10,5                  | 11,7                   | 2,6                   |
| d) unknown term                            | 7,0                   | 1,5                    | 0,9                   |
| e) other                                   | -                     | 0,7                    | -                     |

#### *4.2 Evaluating the level of strategic management in selected industries*

In this part of the paper there will be repeated some previous questions that provide distinct or different responses from the point of view of industry in comparison with responses from the point of view of the company. The findings

shown in table 13 affirm the hypothesis that in industries with a slower capital turnover and in capital demanding industries resp., (chemistry, engineering) the strategic goals are set for a more longer periods of time than in industries with a faster capital turnover. A certain exception - as follows from the survey - is foodstuffs industry, in which nearly 50 % of companies set their strategic goals for the period of 3 - 5 years and so it takes a lead over chemistry and achieves the same level as engineering. This fact may be probably explained by a relatively easy predictability of demographic trends and customers' requirements.

*Table 13. Periods of setting strategic goals*

|                 | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|-----------------|---------------|----------------|--------------|-----------------|------------------|
| a) up to 1 year | 2,2           | 16,3           | 31,4         | 5,9             | 18,8             |
| b) 1 – 3 years  | 35,6          | 32,6           | 42,9         | 26,5            | 56,3             |
| c) 3 – 5 years  | 35,6          | 48,8           | 20,0         | 50,0            | 15,6             |
| d) 5 – 10 years | 26,6          | 2,3            | 5,7          | 17,6            | 9,3              |

Setting financial goals is mainly concentrated on the period up to 3 years (see table 14). An exception is chemistry and engineering, where approximately one fifth of the companies set financial goals for a longer period too. A higher investment intensity and a need of foreign resources require the company in these industries to develop more profound and larger reasoning which must take into account also financial criteria. The reliability of quantitative financial reasoning may be debatable. I consider as reliable setting financial goals on the period up to 3 years and their reasoning by means of calculations.

Within one year (see table 15), 66,7 % (chemistry) to 88,6 % of the strategies (services) had been updated and revised. Examining the goals we may deduct that the stability of goals is higher than the stability of strategies and this is probably natural. However, changing strategies just within one year is too frequent and extended phenomenon signaling a certain non-qualification in formulating and implementing the strategies or misunderstanding of the content and purpose of the strategy. On the other hand, the tactical measures may sometimes be considered to be the strategy. There appear quaint statements, e.g.: „On Wednesday we shall use this type of strategy, on Friday we shall change it for the other one and on Monday we shall apply absolutely different strategy“.

*Table 14. Period of setting financial goals*

|                 | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|-----------------|---------------|----------------|--------------|-----------------|------------------|
| a) up to 1 year | 24,5          | 46,5           | 65,7         | 17,7            | 56,3             |
| b) 1 – 3 years  | 42,2          | 41,9           | 25,7         | 55,9            | 34,4             |
| c) 3 – 5 years  | 20,0          | 9,3            | 2,9          | 23,5            | 9,3              |
| d) 5 – 10 years | 13,3          | 2,3            | 5,7          | 2,9             | -                |

*Table 15. Updating and revising the strategy*

|                      | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|----------------------|---------------|----------------|--------------|-----------------|------------------|
| a) quarterly         | 4,4           | 16,3           | 22,9         | 11,8            | 21,8             |
| b) every half-year   | 6,7           | 13,9           | 28,6         | 26,5            | 15,7             |
| c) every year        | 55,6          | 53,5           | 37,1         | 47,0            | 40,6             |
| d) every two years   | 20,0          | 9,3            | 5,7          | -               | 6,3              |
| e) every three years | -             | -              | -            | 2,9             | 3,1              |
| f) other period      | 13,3          | 7,0            | 5,7          | 11,8            | 12,5             |

Only a small percentage of selected industries (see table 16) is capable to take a competitive advantage based on low costs and differentiation simultaneously. Low costs seem to be a more favourable way how to enforce the competitive position of the Slovak enterprises than a high differentiation. On average, one half to one third of companies from examined industries is situated in zone of competitive struggle, i.e. in the area of very intensive competition where taking a long-term competitive advantage is not possible. There is a danger of slipping off this zone into the dangerous zone. The most competitive industries are foodstuffs and engineering industry. These findings are to a certain degree the consequence of the inherited historical past when in Slovakia raw materials and

energy demanding enterprises for semi-products manufacturing with a low value added and minimal finalization had been built.

*Table 16. Position in Hall's competitive model*

|                                  | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|----------------------------------|---------------|----------------|--------------|-----------------|------------------|
| a) garden of eden                | 4,4           | 2,3            | 2,8          | 2,9             | -                |
| b) power alley (low cost)        | 31,1          | 18,6           | 22,9         | 20,6            | 25,0             |
| c) power alley (differentiation) | 20,0          | 11,7           | 22,9         | 11,8            | 12,5             |
| d) zone of competitive battle    | 44,5          | 62,8           | 48,6         | 61,8            | 56,3             |
| e) danger zone                   | -             | 4,6            | 2,3          | 2,9             | 3,1              |
| f) death valley                  | -             | -              | -            | -               | 3,1              |

From the view of the industry the external unpredictable and non-influenceable factors are considered to be the main causes of the strategy failure (see table 17). It is debatable whether these responses do cover up or not other even more serious shortcomings in the field of strategic management. Unpredictable development within the external environment is an anonymous and impersonal factor the impact of which is very difficult to disapprove. Following this reason the causes given in the second place, e.g. spontaneous ideas about a short viability in the foodstuffs industry, insufficient implementation of the strategy in engineering as well as superficial realization of the strategic analysis and synthesis in the construction industry, may be very important.

#### *4.3 Characteristics of business environment in selected industries*

A basic assumption and condition of a successful strategy is a good orientation in the external environment of the firm. The top management which does not know the size of the market, is not capable to set limits to the industry and to know how strong its competitors are. It looks like a general who does not know where the line of the front is, how large the battlefield is and where and how strong his enemies are. In foodstuffs and construction industries nearly two fifth of the firms do not know the size of the market (see table 18) at which they operate. This ignorance usually concerns small enterprises which identify their



market only after they begin to operate at. This may be compared with the activity of an army that conducts a survey only in the course of the battle. This type of activity within the enterprises may be a consequence either of the ignorance of the external environment and need of the strategy at all or of the complex and expensive external analysis or choice of a risk approach consisting in proofs and errors.

*Table 17. Causes of the strategy failure*

|  | Chemistry (%) | Food-stuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|--|---------------|-----------------|--------------|-----------------|------------------|
| a) superficial strategic analysis and synthesis        | 5             | 7,5             | 3,7          | 6,3             | 13,3             |
| b) rational but inflexible attitude                    | -             | 5               | 7,4          | 6,3             | -                |
| c) spontaneous ideas with a short viability            | -             | 17,5            | 7,4          | 6,3             | 6,7              |
| d) weak position of the firm within the industry       | 5             | 7,5             | 3,7          | 9,3             | -                |
| e) cautious and inactive management with a weak will   | 5             | 5               | -            | 3,1             | -                |
| f) external unpredictable and noninfluenceable factors | 75            | 35              | 59,3         | 37,5            | 53,3             |
| g) unrealized implementation                           | 10            | 10              | 3,7          | 18,7            | 6,7              |
| h) other   | 10            | 12,5            | 14,8         | 12,5            | 20,0             |

From the results shown in table 19 we may see that the Slovak enterprises are, to a high degree, exposed to the international competition. In case of chemistry and engineering the local impacts do not play any role. This fact does not correspond with the level of preparedness of firms to enter foreign markets because they are adopting themselves only very slowly to the conditions in the European Union.

The motive powers of the development in almost all industries in the Slovak Republic are out of spheres of influence of Slovak enterprises because the Slovak enterprises are continuously required to adopt themselves to the rules determined by strong international organizations. Slovak enterprises are not sufficiently aware of the fact that they operate in a small, vulnerable and extraordinary open national economy.

*Table 18. Knowledge of the market size*

|                    | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|--------------------|---------------|----------------|--------------|-----------------|------------------|
| a) yes, it knows   | 80,0          | 60,5           | 80,0         | 91,2            | 59,4             |
| b) no, it does not | 20,0          | 39,5           | 20,0         | 8,8             | 40,6             |

*Table 19. Action radius of competition*

|                  | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|------------------|---------------|----------------|--------------|-----------------|------------------|
| a) local         | -             | 6,9            | 17,1         | -               | 6,3              |
| b) regional      | 6,7           | 32,6           | 11,4         | 17,7            | 28,1             |
| c) national      | 26,7          | 16,3           | 40,0         | 23,5            | 37,5             |
| d) international | 66,6          | 44,2           | 31,5         | 58,8            | 28,1             |

The intensity of the business environment may also be illustrated by the intensity of competition (see table 20), where prevails a high and extraordinary high degree - 60,0 % (services) to 79,5 % (engineering). Based on this level of competition we might expect a higher quality and slower prices of production as well as strategies which should be proposed and implemented with a higher quality. However, these expectations have not been met yet.

*Table 20. Intensity of competition*

|                  | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|------------------|---------------|----------------|--------------|-----------------|------------------|
| a) extra high    | 22,2          | 14,0           | 22,9         | 23,6            | 18,8             |
| b) high          | 51,1          | 60,5           | 37,1         | 55,9            | 50,0             |
| c) average       | 11,1          | 20,9           | 34,3         | 14,7            | 28,1             |
| d) below average | 2,2           | 2,3            | 5,7          | 2,9             | -                |
| e) low           | 6,7           | 2,3            | -            | 2,9             | -                |
| f) none          | 6,7           | -              | -            | -               | 3,1              |

*Table 21. Predictability of the industry development*

|                         | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|-------------------------|---------------|----------------|--------------|-----------------|------------------|
| a) unambiguous future   | 22,2          | 27,9           | 40,0         | 23,5            | 28,1             |
| b) variant future       | 62,3          | 53,5           | 42,9         | 61,8            | 50,0             |
| c) continuous future    | 13,3          | 16,3           | 11,4         | 8,8             | 9,4              |
| d) unpredictable future | 2,2           | 2,3            | 5,7          | 5,9             | 12,5             |

Discrete tendencies of the future development within the industry, i.e. unambiguous and variant future, take a share from 78,1 % (construction) to 84,5 % (chemistry) in the total predictability of industries given in table 21. Based on this fact we may assume that the predictability is very good, therefore it should not cause great difficulties in these industries. This is also confirmed by the findings given in table 22 which describe the turbulence level. There prevail low incremental and predictable changes. Unpredictable changes occur only marginally. When we compare the data given in table 7 „Causes of the strategy failure“ (considering the size categories of the firms), and in table 17 „Causes of the strategy failure“ (considering the point of view of selected industries) with

the data given in table 21, there appears an interesting contradiction in table 22. Unpredictable and non-influenceable factors are considered to be the main causes of the strategy failure. This argument corresponds neither with evaluating the future development predictability nor with determining the turbulence level which indicate a favourable state. This contradiction may be explained by a low level of forecasting studies, superficial knowledge of external and internal environment as well as by underestimation of the need of qualified strategic analysis.

*Table 22. Turbulence level*

|                            | Chemistry (%) | Foodstuffs (%) | Services (%) | Engineering (%) | Construction (%) |
|----------------------------|---------------|----------------|--------------|-----------------|------------------|
| a) no change               | 11,1          | 27,9           | 8,6          | 2,9             | 9,4              |
| b) slow incremental change | 35,5          | 32,7           | 42,9         | 44,2            | 31,3             |
| c) fast incremental change | 17,8          | 6,9            | 11,4         | 17,6            | 15,6             |
| d) predictable change      | 28,9          | 27,9           | 32,4         | 32,4            | 34,3             |
| e) unpredictable change    | 6,7           | 4,6            | 2,9          | 2,9             | 9,4              |

Fast and flexible response eliminates the need of a complex and expensive forecasting and guarantees a successful strategy. It weakens the influence of external unpredictable and non-influenceable factors. We may see again a certain contradiction between findings shown in tables 7, 17 and 23 which may be explained by a superficial and uncompleted adaptation of the firms to external environment or by the fact that the competition is much more flexible and fast. (May be that the reactive attitude had been changed for the adaptive one). If the response of more than one third of the firms were really flexible, as shown in table 23, then the influence of external unpredictable and non-influenceable factors could not reach 35 % - 75 % (see table 17).

*Table 23. Firms' attitude to the future*

|                 | Chemistry<br>(%) | Foodstuffs<br>(%) | Services<br>(%) | Engin-<br>eering (%) | Con-<br>struction<br>(%) |
|-----------------|------------------|-------------------|-----------------|----------------------|--------------------------|
| a) passive      | 2,2              | 4,6               | 5,8             | -                    | 6,3                      |
| b) reactive     | 17,8             | 18,6              | 17,1            | 14,7                 | 18,8                     |
| c) proactive    | 24,4             | 9,3               | 14,3            | 5,9                  | 6,3                      |
| d) wait-and-see | 11,1             | 16,3              | 8,6             | 8,8                  | 21,9                     |
| e) adaptive     | 31,1             | 34,9              | 42,9            | 38,2                 | 40,6                     |
| f) creative     | 13,4             | 16,3              | 11,3            | 32,4                 | 6,1                      |

## 5. Conclusions and recommendations

Terms and methods of strategic management in the majority of Slovak enterprises have been adopted only formally. A modern vocabulary has been adopted without in-depth understanding of the nature of the terms and methods. What is pretended to be the strategy is rather everyday tactics, operative activity and pragmatism. Indeed, the strategic management is not considered to be a permanent, stable part of corporate management but rather a modern and temporary wave. The lack of theory is substituted by practice; it would not be perhaps a great fault if the practice were realized in standard market conditions. However, the transformation process is a non-recurring, unrepeatable change requiring an individual approach. Managers are lacking of courage, original thoughts and unordinary ideas .

A low level of strategic management within the Slovak enterprises is caused by non-transparent and unsolved problems of the ownership structure and by disharmony among interests of the firms' owners, managers and employees. Managers are lacking of the will that would aim to enforce their own strategies. Slovak managers dispose of a low capability to predict correctly the development of global as well as continental business processes and response to them as fast as managers in developed countries.

There appears a disillusion, frustration concerning contributions and usefulness of strategic management resulting in reducing or even cancelling departments of strategic management which had been arising in a great amount at the beginning of the 90's. It is a typical example of searching a single perfect method which is expected to solve all problems within the enterprises.

After Slovakia joins EU a new market environment will be created and the impact of competition will be much more aggressive. Enterprises will be less protected than up till now. High competitiveness of business environment should perhaps result in increasing level of strategic management in favor of survival and prosperity. Otherwise, the strategies of Slovak enterprises will be formulated out of the territory of this country. Many enterprises will lose their independence and become a part of multinational corporations or will compete in order to be incorporated into the supply chains in large international corporations.

Within the environment where customers preferences are continuously changing, customers groups are not clearly defined and new technologies aiming to satisfy customers needs are developing very fast, not even thorough forecasting can provide a sufficient and reliable knowledge basis for formulating long-term strategies. In that case, the alternative, support and stability for the future are to be found only within the enterprise. High quality and original capacities and efficiencies which the firm is aware of may offer a more permanent, stable basis for the strategy rather than detailed exploration of unstable environment.

## References

- Ansoff, H. I. - Sullivan, P. A. (1993): Optimizing Profitability in Turbulent Environments: A Formula for Strategic Success. Long Range Planning. Vol. 26, No.5
- Courtney, H. - Kirkland, J. - Viguerie, P. (1997): Strategy under Uncertainty, Harvard Business Review, November - December
- Gervais, M. - Kita, J. - Vološin, M. (1999): Stratégia podniku. Cesty zvyšovania jeho pružnosti a reakčnej schopnosti. (Corporate Strategy. Methods of Increasing of Corporate Flexibility and Reaction Capacity). Manacon, Prešov
- Hall, W. K. (1980): Survival Strategies in a Hostile Environment. Harvard Business Review, September - October
- Hill, Ch. W. L. - Jones, G. R. (1992): Strategic Management Theory. An Integrated Approach. Houghton Miffling, Boston - Toronto
- Hunger, J. D. - Wheelen, T. L. (1993): Strategic Management. Addison-Wesley, Massachusetts
- Johnson, G. - Scholes, K. (1993): Exploring Corporate Strategy. Prentice Hall, New Jersey
- Porter, M. (1979): How Competitive Forces Shape Strategy. Harvard Business Review, March - April
- Porter, M. (1980): Competitive Strategy. McMillan, New York
- Porter, M. (1985): Competitive Advantage. Free Press, New York
- Raimond, P. (1996): Two Styles of Foresight: Are We Predicting the Future or Inventing It? Long Range Planning, Vol.29, No.2



- Simon, C. (1994): Význam účetnictví ve strategickém plánování. (The Role of the Accountant in Strategic Plannig). Victoria Publishing, Praha
- Thompson, A. A. Jr - Strickland, III, A. J. (1992): Strategic Management. Concept and Cases. IRWIN, Boston