

# DETERMINATION OF THE LEVEL OF STRATEGIC MANAGEMENT IN SMEs

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**Maříková, M., Rolínek, L., Vrchota, J., Řehoř, P.**

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*Monika Maříková / University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 15, České Budějovice, 370 05, Czech Republic. Email: marikova@ef.jcu.cz*

*Ladislav Rolínek / University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 15, České Budějovice, 370 05, Czech Republic. Email: rolinek@ef.jcu.cz*

*Jaroslav Vrchota / University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 15, České Budějovice, 370 05, Czech Republic. Email: vrchota@ef.jcu.cz*

*Petr Řehoř / University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 15, České Budějovice, 370 05, Czech Republic. Email: rehor@ef.jcu.cz*

## **Abstract**

Intensive attention has been devoted to strategic management recently as it is one of the tools which is capable of leading the enterprise to succeed in the long term. In spite of this, it is mostly connected with big organisations. Managers underestimate SMEs often and do not apply the strategic management methods in the way they could. Using strategic management in small enterprises is not sufficiently described in the professional literature. The target of this article is to determine the level of strategic management in SMEs by means of the created LSM (level of strategic management) indicator. Data were found out for 156 enterprises through the questionnaire. Based on the professional literature and similar studies, nine main principles were selected influencing the level of strategic management in the enterprise (the enterprise has the strategy, the strategy is defined in the written form, the strategy is elaborated in detail into plans, the enterprise analyses the external environment, internal environment, the enterprise fixes and checks achieving the enterprise's goals, the enterprise knows the value of the product for the customer assuring its competitiveness; the enterprise follows and evaluates the result indicators and the enterprise decides based on the forecast of the future market development). As a strategically managed enterprise, such enterprise was evaluated having acquired 12–15 points; this criterion was fulfilled by 74 enterprises (47%). On the contrary, a not strategically managed enterprise is the enterprise that acquired seven or fewer points (in total 38 enterprises).

**Implications for Central European audience:** Strategic management is a tool that leads a company to long term prosperity. Strategically managed companies have a well-thought-out business plan based on a long term competitive advantage. They create better value for customers, know their surroundings and react more flexibly to changes. Within the practical applications of the paper, emphasis is placed on simplifying and making strategic management accessible to SMEs. Based on the LSM indicator, each company can verify whether it's strategically managed or not and find out where it has shortcomings. These can then be eliminated, and the company can become strategically managed with all its advantages.

## Introduction

The strategic management in the companies shall be built and supported as it contributes considerably to strengthening their competitiveness. Strategic management is based most typically on systematic and structured managerial procedures, and for this reason, it is connected with the operation of big companies. SMEs use strategic management in practice still less than big enterprises, which has a negative impact on their competitiveness. Matti Koiranen states that “in the small and middle-sized companies the structured strategic management is necessary, but requires respecting their specifics, among others limited resources and individual driven findings (Daft et al., 1988; Elenkov, 1997; Hanzelková, 2015; Nadkarni & Barr, 2008; Preble, 1992). Perry (2001) and Rue and Ibrahim (1998) also describe the fact that most researches focused on strategic management concentrate on big enterprises, but it is of interest also for the smaller ones. Kelly et al. (2004) state that in spite of advantages of the strategic management for the enterprises, there are only a few documents to empiric research trying to evaluate the strategic management in the area of small enterprises, which is also confirmed by Wood and Barnett (2012): “The application of strategic management practices in SME’s can help them to enhance their performance through improved effectiveness, efficiency and flexibility“. Many strategic management tools were developed originally for big enterprises; SME shall accommodate these tools to their conditions. However, strategic management involving the work with information, ownership, choice of strategy, competitive advantage, planning and innovation has an important influence even on the development of SME (Abosede & Onakoya, 2013; Krasniqi & Kume, 2013; Kraus & Kauranen, 2009).

Many studies have stated that business failure is due largely to an organisation’s failure to plan (Gibson & Cassar, 2002; Scarborough & Zimmerer, 2003). Studies have generally shown that planning is not only important for large organisations but for SMEs as well (Rue & Ibrahim, 1998). Strategic management is widely considered to be one of the factors that contribute to small firm growth (Kraus et al., 2008; Rue & Ibrahim, 1998). Given that the majority of research on strategic management has so far focused on large enterprises, many scholars have recently noticed that there is a need to apply these concepts in the context of small businesses as well (Gibson & Cassar, 2005; Perry, 2001).

Strategic management is not applied in small enterprises (meaning using the methods of strategic management), particularly for time and financial reasons (Lobontiu, 2002; Švárová & Vrchota, 2013). Previous research states that strategic management in small businesses is often done only in an informal way and rarely on a regular basis. Since small businesses are not just smaller versions of larger enterprises (Curran & Blackburn, 2001), they also plan in a way that is quite different from the standard textbook approaches to strategic management (McCarthy, 2003).

In practice, SMEs tend to orientate towards short-term operational rather than long-term strategic issues, and decision-making tends to be reactive rather than proactive (Mazzarol, 2004; Stonehouse & Pemberton, 2002). In SMEs that claim to plan, plans are frequently ad

hoc and intuitive rather than formally written and provide the little basis upon which business performance can be measured or analysed (O'Regan & Ghobadian, 2002; Wang et al., 2011).

However, not much is currently known about how small business managers actually perceive strategic management, and thus what strategy actually means to them in their everyday business (Kutllovci & Shala, 2013). Research has consistently shown that most small and medium-sized enterprises (SMEs) do not engage in strategic planning. SME owners-managers have been accused of being "strategically myopic" and lacking the "long-term vision as to where their company is headed" (Mazzarol, 2004).

In small firms, strategy is typically a product of the single mind of the owner-manager, whose main focus is often on routinely operating his or her daily business, while strategic planning is perceived as less important or even not applicable (Kraus, 2007). Another factor hindering effective strategic planning in small firms is their low level of strategy competence, i.e. a firm's ability to involve different actors in a strategy process characterised by formalisation and the use of different strategic instruments (Kohtamäki et al., 2008, 2013).

Small and medium scaled enterprises (SMEs) are no longer exempt from environmental conditions that until recently were often the drivers of strategic decisions in large organisations. They now find themselves subject to the same rapid, novel and discontinuous changes that have become amplified due to the exceptional advancement in technology and globalisation (Abosedo et al., 2016). The SMEs managers are now subject to real threat and/or possibility that their firm/industry will be the one that is affected by these environmental discontinuities and, as such, are agents of change to the traditional methods in which SMEs formulate and implement their strategic plans in order to prepare for and to deal with the rapidly changing environments that most of them face (David, 1997).

However, not much is currently known about how small business managers actually perceive strategy and strategic planning, and thus what strategy actually means to them in their everyday business. Understanding the level of strategic management in small and medium enterprises is a prerequisite for our paper.

The authors from various countries write about the particular significance of the strategic management for SMEs, e.g. Krasniqi et al. (2013) focused in their research on the developing economy in Kosovo and the importance of strategic activities for the development of SME. The most important strategy for the local enterprises is focusing on the quality of products and services and decreasing the cost. Pop and Borza (2013) describe Romanian enterprises and their strong relationship between the strategic management and productivity of the enterprise. The significance of strategic management has been growing, according to them, first of all in the time of crisis. The enterprise without implemented strategic management risks that it can go bankrupt. This was also confirmed by Gică and Negrusa (2011); according to them, there is a positive correlation between the implemented strategy and the productivity of the enterprise. Florea and Florea (2014) carried out also the research among the Romanian SME, based on which they came to the conclusion that the success of SMEs, as well as big enterprises, depend on their ability to exploit the opportunities from the external environment to cope with endangerment which they are facing, to fix the strategic goals in view of the environment in which they work and to find suitable sources and strategies for their achievement. In this context, the knowledge and implementation of principles of strategic management lead to the increased performance and competitiveness of organisations.

Entrialgo et al. (2000) confirm in their research among the Spanish SMEs that enterprise productivity is influenced by the character of the strategic management and competitive strategy. Thompson et al. (2012), having carried out the research of the South-African SMEs, describe the importance of strategic management for running an enterprise also here. Kah Marn et al. (2016) investigated the importance of strategic management in Malaysian SMEs. Here the relationship between the degree of strategic management and achieved economic results was proved successfully. They also confirmed that the less stable the surrounding environment is, the more effort shall be devoted by enterprises to strategic planning. Cheng et al. (2012) explored the use of strategic management in Asia. The importance of strategic management for SMEs in the Czech Republic, Slovak Republic, Finland and Sweden is described by the international team of experts. In these countries, the enterprises concentrate on strategic management approximately to the same extent. However, they focus differently on some partial aspects. We may consider for the possible potentially significant risk for the Czech SME the fact that, unlike foreign SMEs, they devote less attention to planning and thinking about their strategies for more years in advance (Hanzelková, 2015).

It follows from the above that strategic management should be an inseparable part of each successful enterprise, i.e. also SME. Research by Hanzelková (2015), which was conducted on a set of owners and managers in over 1000 SMEs in the Czech Republic, Slovakia, Sweden and Finland, shows that: "a large number of Czech and Slovak SMEs (Sweden) already applied management approaches typical for systematic strategic management, despite the fact that they are naturally inclined towards a more intuitive and ad hoc management style". Although this is a positive trend, research has identified several problem areas in applying strategic management to SMEs. These include a not entirely systematic approach to managing the implementation of the strategy, defining the strategy for a shorter period (up to two years), insufficiently conducting analyses of the external environment. A rather intuitive approach to the application of strategic management in SMEs, which results from the findings of the research, was confirmed by other researches of Rolínek (2012), Jodlová (2011).

The issue of strategic management is solved by many authors. However, they do not devote much space to determining the level of strategic management. If the level of strategic management implementation, such as in Hanzelková (2015) research, is determined, the approach used is too complicated to be applied in SME management. Therefore, a new methodology was proposed that would be better applicable to SME management, was not so demanding on the complexity of implementation, and at the same time fulfilling the role of educational material.

## 1 Methods

The goal of the article is to determine the level of introduction of the key principles of strategic management in the selected small and middle-sized enterprises in the CR.

To achieve the stated goal, the following partial targets were set, particularly:

- 1) to define the key principles of strategic management using the professional literature,
- 2) to define the indicator for fixing the level of introducing the strategic management,
- 3) to perform the evaluation of the level of introducing the strategic management in the selected SME in the CR.

To determine the principles of strategic management, the authors proceeded from individual definitions of the concepts of strategic management or strategy (if the strategy was described as a process), taking into consideration individual elementary schools of strategic management defined by Mintzberg et al. (1998). To supplement definitions, other publications were selected dealing with the topic of strategic management, which are issued at present. In total, the complex of 46 definitions of strategic management and/or strategy (see appendix 1) of the following authors was made up (Ackoff, 1974; Allison, 1971; Andrews, 1971; Ansoff, 1965; Ansoff & McDonnell, 1990; Astley, 1984; Barnard, 1971; Barney & Hesterly, 2012; Bracker, 1980; Cannon, 1968; David, 2011; Drucker, 1954; Fahey, 1989; Glueck, 1976; Hambrick, 1980; Henderson, 1989; Hill et al., 2017; Hitt et al., 2011; Chandler, 1962; Lamb, 1984; Learned et al., 1969; McCarthy et al., 1975; McNichols, 1977; Michel, 1976; Miller & Dess, 1996; Mintzberg et al., 1998; Mintzberg & McHugh, 1985; Mintzberg, 1979; Mintzberg & Quinn, 1991; Newman et al., 1971; Paine & Naumes, 1974; Parnell, 2014; Porter, 1996; Rumelt et al., 1994; Schendel & Hatten, 1972; Simon, 1993; Steiner & Miner, 1977; Thompson & Strickland, 2001; Uytterhoeven et al., 1973; Von Neumann & Morgenstern, 1947; Wheelen & Hunger, 2011; Williams, 2009; Wright et al., 1996).

As the individual definitions represent a complex of conceptualisations of a certain phenomenon (strategic management) by various persons (representatives of schools of strategic management and other authors), phenomeno-graphic methodology was used during their analysis (Marton, 1981). The stated attitude represents the qualitative definition of the phenomenon which is perceived or experienced by individual persons in a certain way. Moreover, the authors of the article analysed the occurrence of individual words in the selected definitions applying the procedure "world-cloud" (McNaught & Lam, 2010; Wu et al., 2011). The mentioned procedure enables the visualisation of the general formulas in the texts and helps to understand common topics. The output is the graphical representation of the occurrence of individual words.

Based on the result of the analysis of definitions of strategic management and strategy and frequency of acquired occurrence of characteristic words from individual definitions, the authors selected nine areas of strategic management, and the respective statements were formulated to them. Subsequently, these statements were reformulated into the questions which were submitted to the representatives of the enterprises in the form of the questionnaire and the positive and negative answers were found out in connection with the introduction of the described principles of strategic management.

Moreover, the composed LSM (Level of Strategy Management) indicator was constructed for the determination of the extent of introducing the strategic management in SME by means of the expert panel, which consisted of the authors of the articles and SME's representatives in such a way that individual nine statements were allocated the point values with regard to the meaning in the statement of the described principle for the strategic management. To determine the point values, the methods of classification into classes by Kadlčáková (2002) were used; each class  $c_i$  was allocated by experts a certain number  $f_i$  of points expressing the weight of criterion  $n_{vi}$ .

The expert group defined two classes and determined the point values  $n_{vi}$  according to the meaning of the principle described by the statement for SME's strategic management. Point value  $n_{vi} = 2$  was allocated to the category of principles which are fundamental from the viewpoint of understanding the base of strategic management (their occurrence in the

definitions of strategic management or strategy is more frequent), the point value  $nvi = 1$  designates such tools which are included as characteristic for strategic management but are mentioned by the authors of definitions with a lower frequency.

Moreover, the board of experts fixed the following characteristics; a strategically well-managed enterprise is the enterprise having acquired 12-15 points. A partially strategically managed enterprise is the enterprise having acquired 8-11 points. The non-strategically managed enterprise is the enterprise having acquired seven or fewer points.

The evaluation of the level of introduction of strategic management principles was done on the selected sample of 156 SMEs in the CR; the frequency of individual SMEs was found out depending on the extent of introducing the strategic management principles which were defined in the summarising LSM indicator. The sample represents 0.013% of the population (1 151 821 SMEs were registered in the Czech Republic in 2016).

The research sample corresponds to the quota selection according to the representation in CZ NACE in the Czech Republic. The research was carried out in 2016–2018. Statistical analysis of the comparison of the research sample and SME representation in the Czech Republic in 2016 according to CZNACE revealed that Pearson's  $r = 0.931$  and  $p\text{-value} < 0.001$ . It can therefore be concluded that the observed representation in the CZNACE categories of SMEs in the research sample and in the Czech Republic is the same (see the following table for details).

**Table 1 | Frequencies of SMEs in the research sample and in the Czech Republic according to CZNACE**

Sections of CZ NACE	Research sample		Representation of SMEs in the Czech Republic according to the Statistical Yearbook of CSU 2016
	absolutely	in %	
G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	34	21.8	22.6
H - TRANSPORTATION AND STORAGE	4	2.6	2.5
I - ACCOMMODATION AND FOOD SERVICE ACTIVITIES	7	4.5	5.2
J - INFORMATION AND COMMUNICATION	6	3.8	1.9
K - FINANCIAL AND INSURANCE ACTIVITIES	8	5.1	3.7
L - REAL ESTATE ACTIVITIES	3	1.9	5.7
M - PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	8	5.1	12.3
N - ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	11	7.1	1.8
P - EDUCATION	3	1.9	1.6

Q - HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	4	2.6	1.3
R - ARTS, ENTERTAINMENT AND RECREATION	8	5.1	2.4
S - OTHER SERVICE ACTIVITIES	18	11.5	7.7
Other sections CZ NACE	42	26.9	31.3

Source: authors

A half-structured questionnaire was created on the basis of a literature review. Respondents were interviewed on the basis of personal interviews. The obtained information was entered into the prepared forms, then the data were transcribed into the online version of the questionnaire, coded, edited and processed. The obtained data were supplemented by a qualitative method of case studies in four selected companies. The questionnaire consisted of 40 questions (most frequently closed, closed and 'open') within six thematic areas. Prior to the actual questionnaire survey, the questionnaire was verified by pilot research in 5 companies.

Moreover, using the selected complex of SME, relationships between the partial LSM indicators were evaluated by means of correlation analysis (Spearman's correlation coefficient). Data were tested in the statistic software Statistica 12 and SPSS. Correlation is a measure of the relation between two or more variables. The measurement scales used should be at least interval scales, but other correlation coefficients are available to handle other types of data. Correlation coefficients ranged from  $-1.00$  to  $+1.00$ . The value of  $-1.00$  represents a perfect negative correlation (the relationship between two variables is such that as one variable's values increase, the other variable's values decrease), while a value of  $+1.00$  represents a perfect positive correlation. A value of  $0.00$  represents a lack of correlation. Correlation itself does not constitute a causal relationship between two variables, but it is one of the criteria of causality (Babbie, 2015; Devore, 2015).

The zero hypothesis  $H_0$  was selected, stating that the individual factors do not correlate together, and the alternative hypothesis stated that the first-named factor has an influence on the second named factor.

To be able to use Spearman's correlation coefficient, it was necessary at first to verify the normality of both variables (Freund et al., 2010). To verify (one-dimensional) normality of the relationship. Histograms of the Shapiro-Wilkov' test ( $p$ -value) and Q – Q plots were used. Subsequently, the data were analysed by means of Spearman's correlation coefficient (Freeman et al., 2017).

The values are summarised in the table below. Moreover, in the scope of statistic testing, the differences in the level of strategic management in the small and middle-sized enterprises respecting the definition according to the European Union from the recommendation of EC 2003/361/EC (European Union, 2015) were evaluated. Data were tested by means of SPSS statistic software. In the first stage, the analysis of dependencies by means of contingency tables was carried out, first of all for the simple description of frequencies and per cent in the groups as well as for finding out the association of variables and homogeneity of groups by testing the hypotheses and measuring the intensity of the relationship or dissimilarity of distributions (Řehák & Brom, 2015). The dependency followed on two variables may be either symmetrical (mutual) or asymmetrical (unilateral). The basic test used for finding out the

mutual dependency of two categorial signs is the Chi-squared Test of independence. During this test we proceed from the following pre-condition: if two signs are independent, the split of frequencies in the contingency table is proportional to the line and marginal column frequencies, or we test the accordance of the ascertained and expected frequencies. For following the intensity (strength) of the dependency, various coefficients are used, which usually acquire the values from the interval 0 and 1; the value 0 means independence (Hebák et al., 2004).

In the article, two groups of enterprises were tested each time. One group consisted of enterprises employing less than 50 employees, and the second group of enterprises with 50 – 249 employees. On the selected level of importance  $\alpha = 0,05$ , the zero hypotheses was tested by means of t-test ( $H_0$ ), to which the alternative hypothesis ( $H_A$ ) was formulated.

$H_0$  = both groups of enterprises do not differ statistically in any important way

$H_A$  = non  $H_0$

## 2 Results

The concepts of strategic management and strategy are defined and understood by a number of authors quite differently. The complete classification of attitudes to its definition was elaborated by Mintzberg et al. (1998), who determined ten elementary schools of strategic management. Each school represents a different attitude to the base of strategic management. The difference of schools consists, according to Mintzberg in the different opinions on the problem (the aphorism with the elephant stated by the author) (Mintzberg, 1990; Mintzberg et al., 1998; Mintzberg & Quinn, 1991). The survey of individual schools and their attitudes is stated in the following table.

**Table 2 | Schools of thought on strategic management**

School of thought	Strategy	Main statement	Strategic instruments/formation development strategy
Design school	Conceptual	Strategy development through achievement of a 'fit' between internal strengths and weaknesses and external opportunities and threats	SWOT analysis
Planning school	Formal	Strategy as a formal process with single, clear steps and techniques	Scenario planning Checklists Strategic control
Positioning school	Analytical	Strategy as a generic competitive position, depending on the industry situation	BCG matrix McKinsey matrix PIMS study
Entrepreneurial school	Visionary	Vision/intuition of the entrepreneur rather than precise plans	Start-up, niche or turnaround strategies Implicit perspective (vision), personal and unique
Cognitive school	Mental	Mental perspective (individual perception)	Regarding the origin of strategies/the mental process of strategy development



<b>Learning school</b>	Emergent	Strategy development as a learning process	Strategy formulation and development mesh with each other; frequently applied in intrapreneurship
<b>Political school</b>	Power-based	Micro-power: the development of strategies within the organisation is determined by politics and power	Strategy development is based on self-interest and fragmentation/tactics and positioning
<b>Cultural school</b>	Ideological	Strategy formulation is a social process that builds on (corporate) culture	Strategy development is based on mutual interests and integration; collective perspective, unique, mainly implicit
<b>Environmental school</b>	Passive	The environment is not only seen as a factor, but also as the central actor	Examination of the environmental conditions/specific position (niche in population ecology)
<b>Configurational school</b>	Episodic	Organisations can be regarded as configurations	Clustering of characteristics and behaviours instruments: all of those formerly stated (depending on the situation)

Source: Kohtamäki et al., 2008; Mintzberg, 1990; Mintzberg et al., 1998

Although are the concepts of strategic management and strategies quite often described by the authors, the determination of the level of introducing the strategic management in enterprises are missing in studies. However, it is important to know for the managers of enterprises or entrepreneurs what is the position of the enterprise and what reserves the enterprise has, and for this reason, the authors of the article fixed the target to create an indicator showing this to the enterprise.

To determine the indicator of the level of the strategic management, it is necessary to analyse the texts of important authors (see the methodology), to define important principles of strategic management and to find out what strategic management really includes. By the analysis of the text of 46 definitions of strategic management (strategy) by important authors, Figure 1 came into being for the creation of which word-clouds methodology was used, accentuating the most important concepts concerning the given topic. For the strategic management, these are the following concepts, including the frequency: strategy (56), organisation (company, firm, enterprise) (42), objectives (goals) (30), action (18), strategic (17), decision (16), achieve (16), competitive (15), environment (14), advantage (14), plan (13), performance (9), new (8), resources (7), management (7), pattern (6), competitors (6), opportunities (5), process (5), internal (4), future (4).

[illegible]

### Definition of LSM indicator

**Table 3 | Composition of LSM indicator**Source: authors

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occurrence of individual concepts acquired by the text analysis of 46 definitions of strategic management are supplemented. A score of points = 2 in table 3 was assigned to the category of principles whose occurrence was more frequent in the definitions of strategic management or strategy; a score of points = 1 indicates those tools that are mentioned with less frequency by the authors of the definitions (more details are in the methodology).

Strategy (56) is the core of strategic management in the enterprise (42). The strategic management (17) process (5) is a sequential set of analyses and choices that can increase the likelihood that a firm will choose a good strategy; that is a strategy that generates competitive advantages (Barney & Hesterly, 2012). It provides insight into how to gain a competitive advantage, which is at the heart of good strategy (Williams, 2009). The strategy should be formulated in written form. The strategy may have the form of a plan, pattern (6) or template (Mintzberg & Quinn, 1991). Mikuláščík (2015) states that many times the strategy is a mere wish, intention or idea; if however, this strategy shall be successful, it should be defined in the written form. Henry (2018) states that the strategy of the enterprise starting its business is very simple, and its main goal is the survival of the enterprise.

A number of authors accentuate the importance of detailed elaboration of strategy into plans (13) (Andrews, 1971; Learned et al., 1969). Strategies are forward-looking plans that anticipate change and initiate action (Newman et al., 1971). Strategy is a unified, comprehensive, and integrated plan designed to assure that the basic objectives of the enterprise are achieved (Glueck, 1976; Wheelen & Hunger, 2011). It is the managerial plan to enhance the organisation's position in the market (Henderson, 1989; Mintzberg & Quinn, 1991). It is the set of the plan from top management to achieve results consistent with the organisational mission and objectives (Miller & Dess, 1996; Wright et al., 1996).

The strategy shall react to changes in the external environment (14). Strategy is a mediating force between the organisation and its environment (Hambrick, 1980; Mintzberg et al., 1998; Mintzberg, 1979). Strategy is an analysis of the environment where the organisation is located (McCarthy et al., 1975; Parnell, 2014). The strategy has two characteristics: situational or environmental analysis that determines the company's position in the market (Bracker, 1980). It responds to opportunities and threats in the external environment (Rumelt et al., 1994). Strategy is a set of rules for the development of relationships with the external environment (Ansoff & McDonnell, 1990).

Strategy is based on the needs of the enterprise. The model of strategic management is based on the analysis of the internal environment of the enterprise (4), particularly the resources (7), mission and goals of the enterprise (Orcullo, 2008). Incorporated within this is finding out what one's resources are or what they should be (Drucker, 1954). Strategy is to decide which resources should be acquired and used (Fahey, 1989; Michel, 1976). It is the major pattern of resource allocation used to relate the organisation to its environment (Schendel & Hatten, 1972). One of the steps of strategy is resource audit (Uyterhoeven et al., 1973). It contains a series of decisions on how to use the capabilities and internal resources (McNichols, 1977).

The traditional model of the strategic management process describes as the second pillar the determination and achievement (16) of enterprise targets (30) (Orcullo, 2008). The strategy is the determinant of the basic long-term goals of a firm (Ackoff, 1974; Chandler, 1962). Strategies are macro-actions or patterns of actions (18) for achieving the objectives of the

company (David, 2011; Paine & Naumes, 1974). Instead, the decision-maker engages in "satisficing" behaviour and attempts to find a solution that achieves a set (minimum) goal and minimises the risk of failure (Miller & Dess, 1996).

The strategy orientates on the increase of competitiveness of the enterprise through using the opportunities (5) at the market with the target to satisfy the needs of the customer. Strategy is the directional action decision that is competitively required to achieve the company's purpose (Cannon, 1968). The strategy explains how to build and sustain the competitive advantages (14) that favourably influence customer purchasing decisions (Fahey, 1989). It is the managerial plan to enhance the organisation's position in the market, boost customer satisfaction and achieve performance targets (Thompson & Strickland, 2003). It generates a competitive advantage for the company (Henderson, 1989).

A part of strategic management is the harmonisation of strategies, productivity (9) and results. Strategy can take advantage of opportunities and minimise factors that threaten the achievement of desired results (Michel, 1976). It influences the performance of organisations (Hambrick, 1980). Strategy is a set of standards by which the present and future performance of the company is measured (Ansoff & McDonnell, 1990). It includes issues of primary concern to the manager or any person who seeks the reasons for success and failure between organisations (Rumelt et al., 1994). It also considers performance as a factor influenced by strategy (Barney & Hesterly, 2012). It is action required for a firm to achieve strategic competitiveness and earn above-average returns (Hitt et al., 2011). If a company's strategy results in superior performance, it is said to have a competitive advantage (Hill et al., 2017).

The modern definition of the strategy accentuates the preparedness of the enterprise for the future. Wheelen and Hunger (2008) describe the importance of long-term prognoses for strategic planning in the enterprise. There are drafts of individual scenarios focusing on the failure-free forecast for the following five years. Strategy is a rule for making a decision (16) determined by product/market scope, growth vector, competitive advantage, and synergy (Ansoff, 1965). Strategy is the creation of a unique and valuable position involving a different set of activities (Porter, 1996). It provides both direction and cohesion to the enterprise and is composed of a step: strategic forecast (Uyterhoeven et al., 1973).

Using the individual principles of LSM indicator in the selected SME

The enterprises follow and evaluate as per table 3 the resulting indicators (93,6%), they know the value (benefit) which the customer acquires by the purchase of product (88,5%), they analyse the internal (86,5%) and external environment (84%). On the contrary, the enterprises have the strategy only in 57% cases; they have the strategy in the written form and elaborated in plans only of 24,4%. The enterprises fix and check to achieve the enterprise goals in 42,9% of cases, and the enterprise decides based on the forecast of the future market development in 52% of cases.

**Table 4 | Representation of individual principles according to LSM in the selected complex**

Principles of strategic management	Frequency (%)	Principles of strategic management	Frequency (%)
Enterprise has a fixed strategy	89 (57%)	The enterprise fixes and checks achieving the enterprise goals	67 (43%)
Strategy has the written form	38 (24%)	The enterprise knows the value of the product for the customer assuring its competitiveness	138 (88%)
Strategy was elaborated in detail in to plans	38 (24%)	The enterprise follows and evaluates the result indicators	146 (94%)
The enterprise analyses the external environment	131 (84%)	The enterprise decides based on the forecast on the future market development (it creates future scenarios)	81 (52%)
The enterprise analyses the internal environment	135 (87%)		

Source: authors

### Relationship between the principles of strategic management in SME

In the Table 4, individual correlation coefficients (Spearman) are stated, where significant correlations important on the level of significance  $\alpha=0,05$  are designated by colours. As follows from the table, all the significant correlations are positive; the most important relationship is between the detailed elaboration of the written strategy and detailed elaboration of strategies into plans (0,76).

**Table 5 | Factors correlation**

		1	2	3	4	5	6	7	8	9
Has strategy	1	1	0.492	0.492	0.009	0.151	0.098	0.132	0.142	0.201
Strategy in writing	2	0.492	1	0.756	0.085	0.048	0.05	0.111	0.148	0.217
Strategy into plan	3	0.492	0.756	1	-0.037	0.005	0.08	0.064	0.148	0.247
Analyses external env.	4	0.009	0.085	-0.037	1	0.288	0.167	0.115	0.099	0.174
Analyses internal env.	5	0.151	0.048	0.005	0.288	1	0.114	0.269	0.356	0.221
Checks achieving targets	6	0.098	0.05	0.08	0.167	0.114	1	0.07	0.121	0.135
Knows the value (contribution)	7	0.132	0.111	0.064	0.115	0.269	0.07	1	0.315	0.094
It follows and evaluates the indicators	8	0.143	0.148	0.148	0.099	0.356	0.121	0.315	1	0.114
It forecasts the future	9	0.201	0.217	0.247	0.174	0.221	0.135	0.094	0.114	1

Source: authors

An additional important correlation is a relationship between “has a strategy” and strategy was elaborated in writing (0,49) and subsequently in detail into plans (0,49), where identically strong correlation exists. One of the important correlation relationships in the scope of the research is the relationship between “analyses internal” and “follows and evaluates the indicators” (0,36), the next relationship larger than 0,3 is between “knows the value” and “follows and evaluates the indicators” (0,31). Most frequently, the significant correlation was detected for the factor focused on “forecasting the future”, correlating with five other factors; we can involve among other often correlating factors also “analyses external”, which correlates with four factors. On the contrary, at least frequent is the correlation at “check of

achieving goals “, this factor correlates only with the analysis of the external environment (0,16)

Level of strategic management in selected SME

The enterprises were split according to their answers into three categories: strategically managed enterprises, partially strategically managed e. and enterprises strategically not managed.

Table 6 | Descriptive statistics

Variable	N	Average	Median	Modus	Modus frequency	Lower quartile	Upper quartile	Dispersion	SD
LSM	156	9.692	10.000	11.000	37	8.000	11.000	10.059	3.171

Source: authors

According to the split of quartiles, the enterprises were split into categories:

- Strategically managed 12-15,
- Partially strategically managed 8-11,
- Strategically not managed 0-7.

Subsequently, by means of t-test, large and small enterprises were compared according to LSM levels; it succeeded to reject the zero hypothesis about the conformity of both samples, and the left-sided hypothesis was confirmed that large enterprises achieve a higher level of LSM, as it is visible from p-value (close to zero) and box diagram below.

Table 7 | T-test results

Variable	Average	Average	t	sv	p	Beg. validity	of	Beg. validity.	of	Standard deviation	Standard deviation.	F-ratio	p
	M	S				M	S			M	S	Dispersion	Dispersion
LSM	9.303	11.833	-3.742	154	0	132	24			3.083	2.823	1.193	0.642

Source: authors

Subsequently, the enterprises were split according to the LSM level into categories, they were compared, and these categories were compared with the size of the enterprise as visible from the table below; 79% of big enterprises are strategically managed. On the other hand, 92% of strategically not managed enterprises are small enterprises. The largest representation in the sample has small enterprises which are strategically managed (35%).

**Table 8 | Observed frequencies**

Company size	LSM type		LSM type		Line sum
	Strategically managed	not	Partly managed	strategically managed	
Small	35		42		132
Column	92.11%		95.45%		
Line	26.52%		31.82%		
Total	22.44%		26.92%		84.62%
Medium	3		2		24
Column	7.89%		4.55%		
Line	12.50%		8.33%		
Total	1.92%		1.28%		15.38%
Total	38		44		156
Total	24.36%		28.21%		100.00%

Source: authors

Subsequently, the dependency of data stated in the table above was explored by means of the Chi-squared Test as the conditions of a good approximation of the complex were complied with successfully. Subsequently,  $\chi^2 = 11.629$ , where by means of p-value = 0.00298 the zero hypotheses about the independence of both variables were rejected, and we can state therefore that LSM and the size of the enterprise are dependants; we add Cramer's V, (0.273) which says that there is a weak dependency between the enterprise type according to LSM (a lot x medium x not at all) and its size (a small one x a large one).

The strategic management was determined primarily for large enterprises each time, however also the owners of small companies started to realise its importance nowadays. It is also important for small enterprises to have a vision, mission, goal to know where the enterprise is heading. For this reason, it is important for the research to find out if the level of the strategic management depends on the size of the enterprise (number of employees).

### 3 Discussion

The experts for strategic management do not devote much space to the determination of the level of the strategic management, and for this reason, the authors of this article postulated it as their goal. The team around Hanzelková (2015) focused on a similar matter. It dealt with the determination of the level of strategic management by means of self-testing. Instead of dichotomic questions (answer yeas x no), the five-point-scales of answers were used (definitely yes to definitely no). This Expert Board created a comprehensive questionnaire consisting of five parts and formulated more detailed questions (Expert Board 2015). The composed LSM indicator tries to accentuate the simplicity, understandability and rapidity of filling in. LSM indicator was constructed with a focus on small and middle-sized enterprises in such a way that the resulting questions for the representatives of these enterprises shall be as understandable as possible. LSM indicator was tested by the authors on 156 SMEs in the CR. It follows from the results that a mere 5% of enterprises are not strategically managed. The enterprises partially strategically managed to prevail. The research proved that SME enterprises perform the activities falling under strategic management more or less

unconscientiously. The conscious implementation of strategic management is rather a sporadic phenomenon. Nevertheless, it is not important whether the enterprises know that this is the strategic management but the fact whether they really perform the activities falling under the strategic management, which is also certified by the international research team around Hanzelková (2015): "The small and middle-sized companies start to devote attention to the systematic strategic management, but simultaneously they have, in a number of aspects, the space (a gap) for a more effective management way. They can support their competitiveness and development, for example, by more intensive work with the strategic information, focus on some types of innovations, using the potential offered by foreign markets or more systematic management of the strategy implementation ".

In the scope of analysis of the occurrence of words in 46 definitions of strategic management, the authors mentioned most frequently the word "strategy" (56x). This is long-term enterprise management in which it is necessary to fix its future direction (i.e. strategy). The second most frequent occurrence is represented by the collocation "achieving targets" (46x). The correctly formulated strategy should fulfil the ideas of top managers, and they should achieve the enterprise goals effectively.

At present, it should be almost a duty for each enterprise that wants to be competitive at the markets to have an elaborated strategic concept or simply a strategy, which would be helpful in taking the right direction to achieve the planned goals. Branislav (2014) stated that the application of strategic management practices helps firms in exploiting and creating new and different opportunities for tomorrow. Therefore to straighten up operations and enable firms to have vision and direction, strategic management is a route that is highly demanded (Ahmed & Mukhongo, 2017). Optimally formulated strategy determinates the future of the whole enterprise, and this may mean its competitive advantage. Muogbo (2013), cited in (Makanga & Paul, 2017), confirmed strategic management practices to have significantly increased competitiveness. It is often seen that strategic management is important only to large corporations. Most studies have shown that for every organisation, either large or small, to succeed and attain a competitive advantage, it has to be strategic in its daily operations (Kraja & Osmani, 2013).

In the Czech Republic, however, no exception is the enterprises, first of all, the smaller enterprises without an outlined strategy; SME owner-managers have been accused of being "strategically myopic" and lacking the "long-term vision as to where their company is headed" (Mazzarol, 2004). It was confirmed within the research that more than 40% explored small enterprises have no strategy. Its absence may cause a continual drop of receipts and result finally in bankruptcy or forced sale of the enterprise. In the written form, more than 70% of enterprises have no postulated strategy. The managers minimally make up the written strategy and elaborate it into plans (only ¼ of enterprises). In the scope of researches, the question often occurs, if and in what way the enterprise formalises its strategy. Pawliczek et al. (2011) split the enterprises into the enterprises with formalised strategy (in the written form), enterprises, having no written strategy and following the strategic focus which developed without a plan and into the third group of enterprises having no strategy as is stated in the presented research. It follows from the performed research that 57% of all the enterprises have the postulated strategy. Rolínek (2012) stated in their research that 60% of enterprises have the strategy. Pawliczek et al. (2011) states 64% in his research. 24% of all the enterprises have the strategy in the written form according to the presented research,



whereas Jodlová (2011) states in her research that up to 37% of small and middle-sized enterprises state in the research that they have a strategy elaborated in the written form. Analoui and Karami (2003) state 32% of enterprises have a formalised strategy, and Pawliczek et al. (2011) 16% of enterprises (the research is focused on the small enterprises and micro-enterprises).

Approximately 2/5 enterprises fix and check to achieve the goals. Other principles of strategic management are used in practice in the absolute majority of explored SMEs. At most (94%), result indicators are followed and evaluated by the managers. Žufan and Pyšný (2015) also focused on the identification of key aspects for strategic management (postulation of goals, internal communication, coordination and following the performance). They found out in their research that the level of applying the tools of strategic management is relatively high - 80% of SMEs has fixed the main business goals, 74% communicates the detailed elaboration of plans with their employees, 84% devote intensive attention to the coordination, and 84% follow their performance systematically. SME devote attention to the determination of strategy as well as its acceptance (support) by key groups as well as individuals, particularly the owners and management. In the management, they use the goals, evaluate their performance and focus on the selection and build a clear competitive advantage.

Considering the fact that the table is quite sparse and the assumptions for the use of asymptotic methods and exact tests cannot be met due to the sample size, it is difficult to draw any conclusions. However, it is interesting to note that the enterprises providing professional, scientific, technical activities are 87.5% (7 enterprises out of 8) strategically managed, which may be due to the fact that in this area of business, the owners and employees must be truly educated people and true experts in their field, along with this, they thus perceive the importance of implemented strategic management.

## Conclusion

The goal of the article was to fix the level of introduction of key principles of strategic management in the selected SME in the CR. To achieve the goal, it was necessary to define the individual principles of strategic management and subsequently to perform the evaluation of SME in the CR. To determine the principles of strategic management, the authors proceeded from the individual definitions of concepts of strategic management or strategy (if the strategy was described as a process). To determine the level of strategic management, a composed LSM indicator was created according to the selected principles of strategic management (LSM). The LSM indicator consists particularly of the following principles: the enterprise has a fixed strategy, the strategy is in the written form, the strategy is elaborated in plans, the enterprise analyses the external environment, the internal environment, the enterprise fixes and checks achieving the enterprise's targets, the enterprise knows the value of the product for the customer assuring its competitiveness, the enterprise follows and evaluates the result indicators, and the enterprise decides based on the forecast of the future market development).

The enterprises were, based on the acquired points in the LSM indicator, split into three groups, particularly: strategically managed enterprises, partly strategically managed enterprises and not strategically managed ones. The enterprise having acquired 12-15 points was evaluated as a strategically managed enterprise; 74 enterprises (47%) complies with this

criterion; on the contrary, a not strategically managed enterprise is considered to be an enterprise that acquired seven or fewer points (38 enterprises).

Moreover, the LSM indicator was recorded in relation to the size of the enterprise (number of employees). It follows from the results of the research that the level of the strategic management of the enterprise depends on the size of the enterprise (number of employees).

The results of the research show that there is a statistical dependence of the level of strategic management determined by the composite indicator LSM on the size of the enterprise (number of employees). Larger enterprises (as defined by the EU, medium and large enterprises employing 50 or more employees) are significantly more likely to be strategically managed than small enterprises. In contrast, partially strategically managed enterprises are more likely to be small enterprises. The research results show that the level of strategic management, as determined by the LSM composite indicator, is not dependent on business activity, and the dependence of strategy on core business activity cannot be statistically confirmed, although the frequencies show that enterprises have a different strategy focus in some areas than in others.

The main theoretical contribution of this paper is the development of a composite indicator to determine the level of strategic management according to selected characteristics of strategic management (LSM). These characteristics were selected on the basis of a search of authors who have long been involved in the strategic management of enterprises. Based on the scores obtained, enterprises were divided into three groups, namely: strategically managed enterprises, partially strategically managed enterprises and non-strategically managed enterprises. The results of the research show that the level of strategic management in an enterprise depends on the size of the enterprise (number of employees). It does not depend on the business activity and the legal form of the business. As an additional theoretical contribution of the thesis can be mentioned the research of strategic management based on the description of the integrated model of strategic management, perception of strategic management approaches in different time periods, including milestones and personalities who have significantly influenced the strategic management process. The findings of the research are used in the teaching of the courses Strategic Management, Small and Medium Enterprises and Entrepreneurship Promotion. The thesis also contributed by summarising and analysing the textual definitions of strategic management and corporate strategies, based on which pictures of key concepts of strategic management were created. The purpose was to visualise the importance of each word based on the frequency of occurrence in the definitions.

During strategic management, it is also necessary to respect the specifics of smaller companies. A large advantage of these enterprises is even their ability of the quick accommodation to the changes of the market or legislation, a simpler organisational structure and lower capital demands in comparison with large enterprises. To increase competitiveness, the constant process of purposeful learning and increasing the professional/managerial competencies for the strategic management of SMEs is necessary.

The size of the sample and its structure is one of the basic limitations of the research. Important is first of all the willingness of enterprises to co-operate with the research and educational institutions as are, e.g. universities. Many times, the enterprises fill in a number of questionnaires for the state administration as well as for the purposes of bachelor's and

master's theses and their willingness to co-operate is not high. The sampling method (snowball sampling), a non-probability sampling technique were used. The findings of our study are thus not generalisable to other settings and samples, as well as the following discussions and consequences due to low external validity.

From the viewpoint of possibilities of further development and direction of the research, it would be surely beneficial to acquire a larger amount of data and to verify the made-up LSM indicator on a larger sample of enterprises, first of all from other countries; so it would be possible to compare the level as well as the overall view of the strategic management in Eastern Europe.

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