

THE LEVEL AND POSITION OF STRATEGIC BUSINESS MANAGEMENT IN THE CZECH REPUBLIC, RUSSIA AND CHINA AND THEIR MUTUAL COMPARISON

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Abstract: *At general level across the global scientific community there is an opinion consensus about the importance of strategic management and decision-making for the development of an entrepreneurial subject. A research survey on this issue was conducted on this issue in the conditions of the Czech Republic, to a lesser extent in the conditions of Russia and China. The subject of the research was focused on the existence of the company's vision and mission, strategic goals and corporate strategies. From the statistical methods, Pearson's chi-square test was used to determine the dependence / independence of selected categorical variables. These results need to be considered diagnostic (for Russian and Chinese enterprises), but some of the particularities of the national economies are already reflected in them. In spite of the already mentioned indicative character of the results, the assumption of significant differentiation in terms of objectives, tools and forms of strategic management of enterprises among the tested countries was not confirmed.*

Key words: *Strategic management, vision, mission, strategy, Czech Republic, Russia, China.*

1. INTRODUCTION

Strategic management as a separate scientific discipline which focuses particularly on systematic corporate governance has been continually developing [12]. So far, there has been no uniform theory that could be used for corporate practice. Mintzberg [10] identified ten fundamental schools of strategic management from the viewpoint of approach to strategy (Design School, Planning School, Positioning School, Entrepreneurial School, Learning School, Power School, Cognitive School, Cultural School, Environmental School and Configuration School). Other authors continued his efforts trying to “simplify” and to reduce the number of the defined approaches [7], [9], [13]. On a general level, three fundamental theories of strategic management can be defined: a classical strategy theory (applying principles of a military strategy according to Machiavelli, Clausewitz), a competitive strategy theory – the so-called positioning approach (M. Porter) and a theory based on internal corporate resources (J. B. Barney).

New theories, approaches, management methods and tools have been continually explored and developed (Balanced Scorecard, EFQM excellence model, Six Sigma, Management by Objectives etc.). The obsolete, predictable and hierarchic business approach is slowly disappearing. Under the new conditions strategic management shall be understood as a continuing and never-ending process, as a sequence of consecutive logically connected steps, starting with definition of a vision and mission for an enterprise, its strategic objectives, formulation and implementation of an appropriate corporate strategy and including monitoring

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and checking stages. Also Delmar et al. [4] have defined strategic management as a continual process or as a process which evaluates and checks activities of an enterprise and of the industry in which the given enterprise operates, which evaluates competitors, sets objectives and strategies and evaluates how successful they are. According to Kurucz [8], strategic management means planning of both predictable and unpredictable events. It is applicable both for small and big enterprises because even the smallest entities struggle with competitors and by formulating and implementing an appropriate strategy they can achieve a sustainable competitive advantage. The method is used by strategists or top managers to set their objectives and to achieve them. Strategic management deals with development and implementation of decisions about where the enterprise should go in the future. It helps to identify the direction to be followed by an organization. Similarly, Gogol and Hnedina [6] define strategic management as a way for companies to win a competitive advantage, to achieve high functional efficiency of their economic, social and environmental aspects and to create preconditions for their sustainable development. They believe that specification of strategic objectives and strategic plans focusing on achievement of the objectives, continual monitoring of performance, adoption of adjustments and evaluation of results are the key to efficient activities of enterprises. Shvindina [11] defines strategic management as identification and description of strategies that can be performed by managers of enterprises to achieve better performance and a competitive advantage.

Strategic management also means high demands on top managers, particularly when it comes to their ability to be good strategists and visionaries [1], [3]. They must monitor not only functioning of business entities themselves but also of their proximity in order to recognize changes and to respond to them.

Since the birth of strategic management enterprises have learned to analyze their competitive environment, define their positions, develop a competitive advantage and understand opportunities [2]. Methods of strategic management applied in the current turbulent times need to take into account lessons learned in the past, but not to condemn them, and to identify and to understand new opportunities arising under the new conditions [5].

2. MATERIAL AND METHODS

Our research surveyed primarily enterprises in the Czech Republic and, on a smaller scale, and a group of Chinese and Russian enterprises. The tested group consisted of 456 Czech, 54 Chinese and 50 Russian businesses. Data were collected in an extensive questionnaire investigation aimed at issues of strategic management and corporate environment. With regard to the limited scope of this paper and the level of solution, we will provide only some of its outputs. Czech enterprises were classified by sectors, specifically the manufacturing and industry sector (187) and services sector (255), and by size as small (249), medium (124) and big enterprises (83).

The Pearson's chi-squared test was used as a statistical method to determine dependence /independence of selected categorical variables. The basic testing included determination whether the strategy depends on the sector and size category of the enterprise and whether profitability of the enterprise, its defined vision, mission and strategic objectives depend on the corporate strategy. The tests were conducted at the standard level of significance 0.05, i.e. with the reliability of 95 %.

3. RESULTS AND DISCUSSION

Before presenting the results it is necessary to describe different business environments of the tested countries in order to ensure an objective view of the outputs. Czech enterprises conduct their activities in a highly open market economy with limited mineral resources, with a high and long-term growth rate of the national economy and with exhausted supply of human resources (which represent a limitation and risk for further development of enterprises in the Czech Republic). The main factors supporting growth include modernization of production, innovation process and transformation of scientific knowledge into the business environment. The Chinese business sector is characterized by fast and dynamic development, growing competitiveness with a high growth rate of national economy and gradual opening of the business sector to the globalizing world's economy. The main factors supporting growth of the corporate sector include innovation process, improvement of labor quality, expansion to foreign markets, including investment acquisitions. The Russian corporate sector has plentiful mineral resources, sufficient technical equipment and human resources. It has also sufficient energy supplies that can be seen as a strategic tool for development of the corporate environment. The Russian national economy does not demonstrate the same degree of openness as the Czech economy and connections with international business markets have certain limitations and barriers. The innovation process has been gradually accelerating, particularly thanks to application of new up-to-date methods of production and organization of work.

The first research question was the very existence of corporate strategies in the tested countries. As indicated in diagram 1, the highest percentage of incidence of corporate strategy has been found in Chinese enterprises (over 70 %), followed by Russian enterprises (60 %) and, quite surprisingly, the lowest number of enterprises with strategies has been found in the Czech Republic. The author is aware of the fact that the group of tested enterprises in the Czech Republic was about 8 times bigger than those of the Chinese and Russian enterprises and the fact to a certain extent has affected the obtained results. Despite the mentioned limitation, a general and long-term trend has been found among the Chinese enterprises, specifically the trend to apply strategic management, including transfer of knowledge from foreign enterprises operating in China to local ones. The results also suggest that managers of Czech enterprises do not yet sufficiently appreciate importance of strategic management, particularly in the categories of small and medium enterprises; the potential reason might be the current growth of the national economy and also lack of managerial literacy. It is an objective fact that scientific and research entities fail to provide the managers with practical and realizable metrics, instructions and procedures for strategic management. In this respect the situation in strategic management in the Russian corporate sector has been improving. Especially opinions of managers have been fundamentally changing and they have come to appreciate strategic tools as measures supporting growth. It can be attributed also to outputs of research activities of Russian research workplaces.

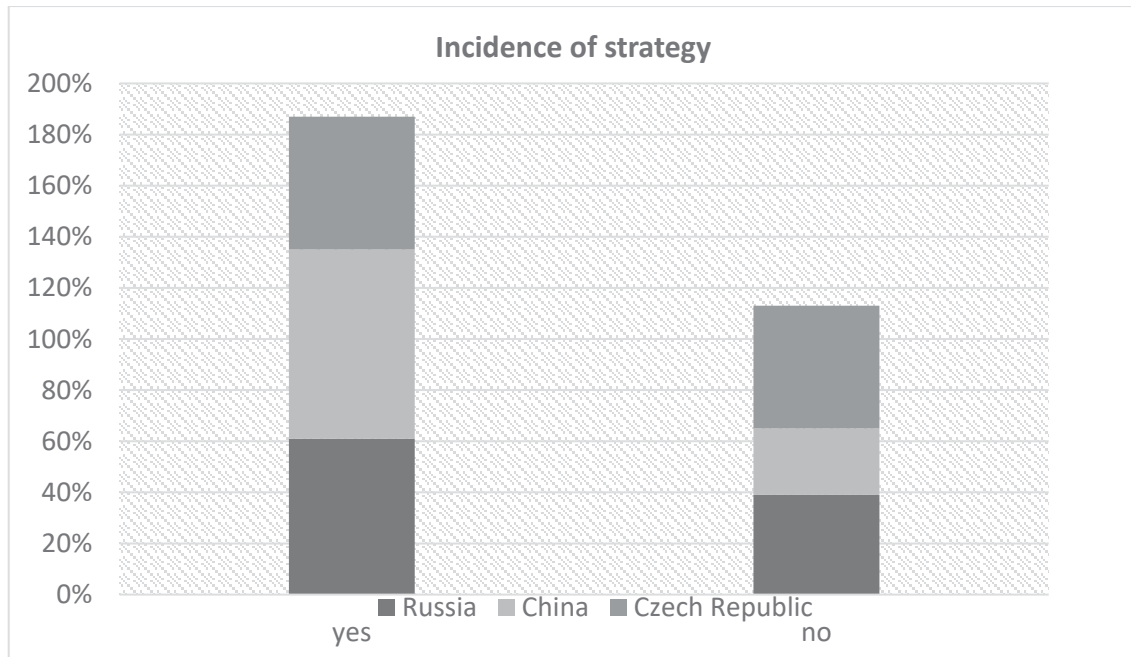


Figure 1: Incidence of corporate strategy

Further investigations have been conducted in connection with the results provided in diagram 1 to find out who was involved in development and formulation of the corporate strategies (diagram 2). A significant similarity was found between the Czech and Chinese enterprises where corporate strategies were most frequently developed by owners of the enterprises (ca 40 %), top managements were involved in about the same percentage of cases and the senior managements accounted for the remaining ca 20 %. The Russian enterprises have shown significantly different results - in 80 % of the enterprises the strategies were formulated by their owners and in ca 20 % by the entire top managements while the share of senior managements was negligible. This disparity between the Czech and Chinese enterprises on one side and the Russian enterprises on the other side can be attributed particularly to the size categorization of the enterprises, to the previously mentioned difference in openness and growth rate of national economies and also to the degree of international integration of the enterprises.

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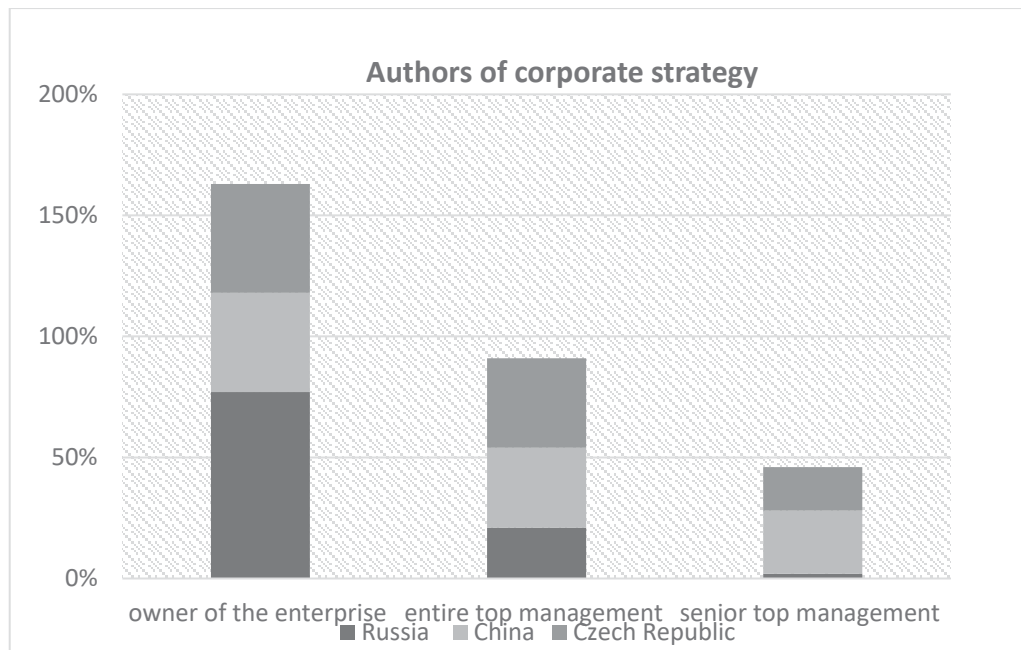


Figure 2: Authors of corporate strategy

A precondition for development of a corporate strategy should be projection of its vision and mission (diagram 3). In agreement with the results in diagram 1, these fundamental attributes of the corporate strategy were most frequently processed in strategies of the Chinese enterprises, followed by the Czech enterprises (which is in conflict with results in diagram 1) and the lowest level of the projection of vision, mission and strategic objectives was found for the Russian enterprises. It is possible to make similar conclusions as for the diagrams 1 and 2. It can be also affected by a partly different definition of strategic management while the concepts of vision and mission are not always seen as preconditions of strategic management. In some cases the concepts of vision and mission are seen as strategic objectives of the enterprise.

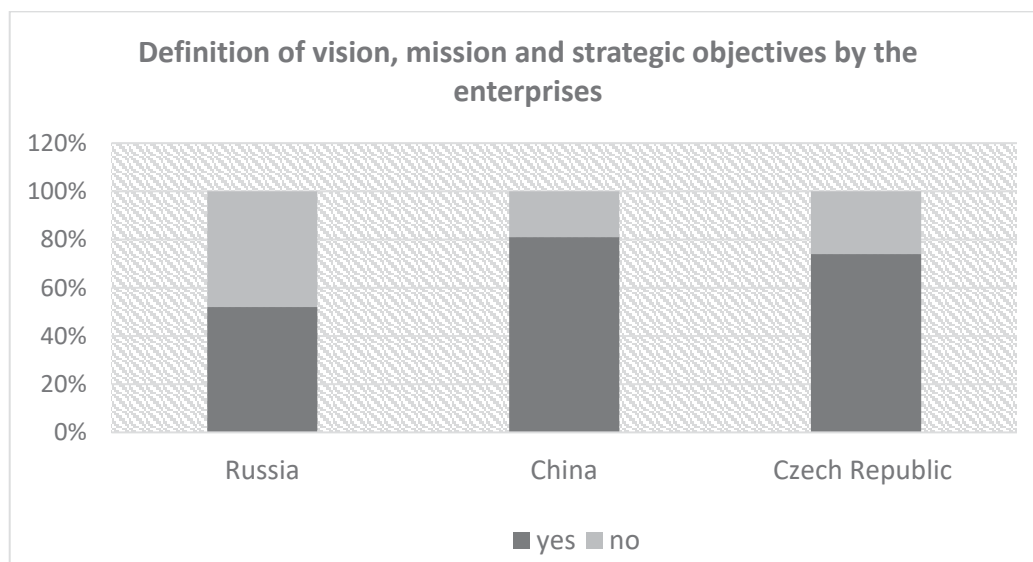


Figure 3: Definition of vision, mission and strategic objectives

The next research question was about the focus or orientation of the corporate strategy (diagram 4). In both the Chinese and Czech enterprises the corporate strategies focused more on a sector strategy in over 60 % of all cases, the remaining strategies focused on internal growth of the

enterprises and on internal corporate environment and its factors. The Russian enterprises focused more on internal growth strategies than on the sector strategies, however, the difference was not significant. We can conclude that the differences are caused by different trends in strategic management, different degrees of connection with the state economic administration, different degree of openness of the economies and, last but not least, different degree of involvement in the international economic system and division of labor.

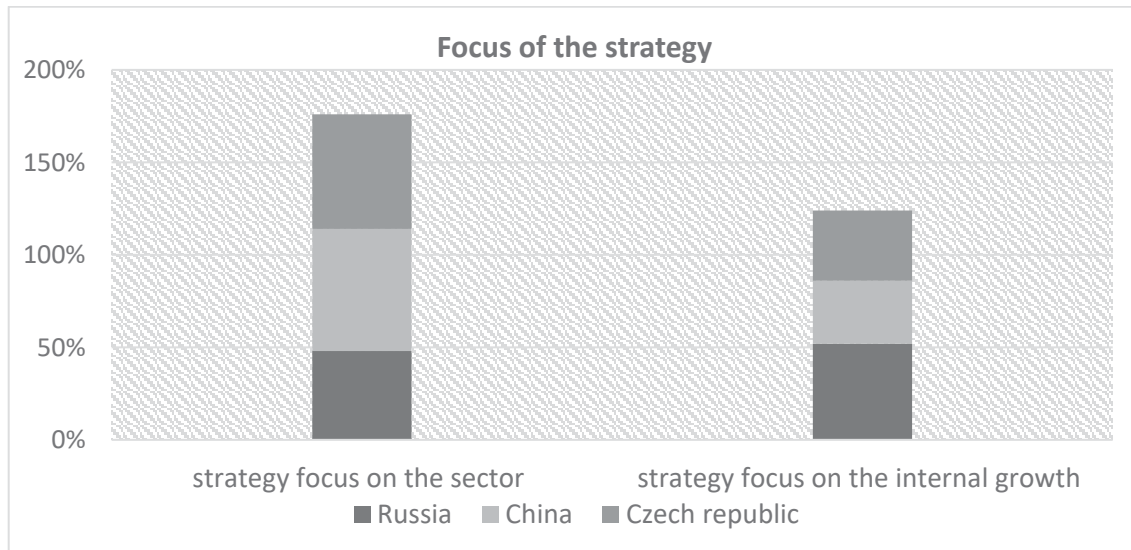


Figure 4: Focus of the strategy

Diagram 5 shows significant factors with a decisive impact on prosperity and stability of the tested enterprises. For most of the analyzed factors we can see a nearly identical representation (purchasers/customers, quality human resources, technology, capital, manufacturing and suppliers). A certain degree of differentiation was found for investments, innovation, remunerations and social area while those facts are associated with specific features of the national economies. Naturally, this statement also reflects the growth stage of the economy and with the changing stage of the economic cycle importance of the individual analyzed factors may change as well.

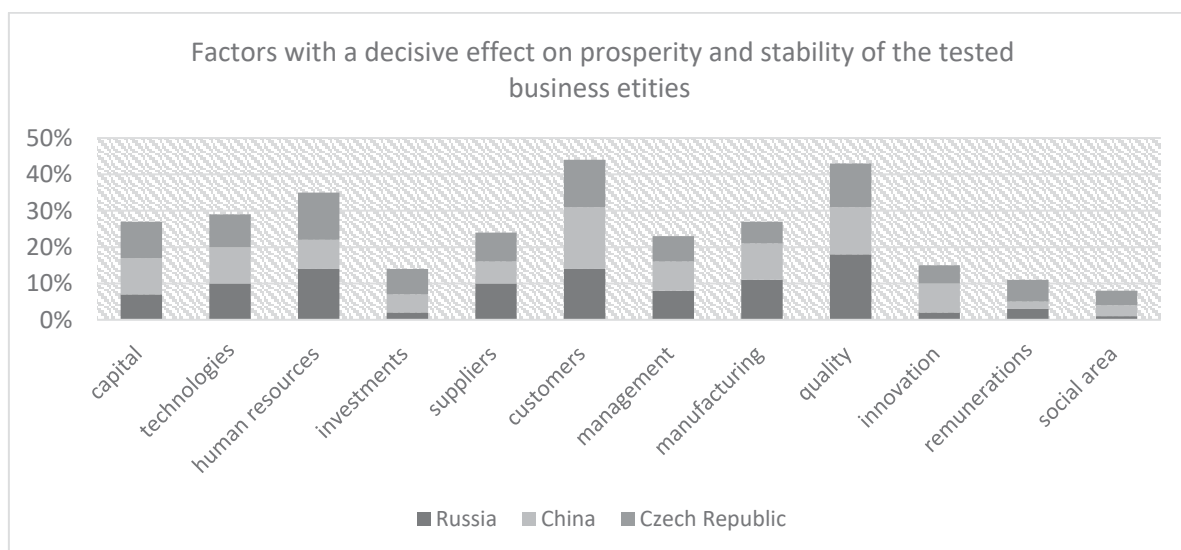


Figure 5: Factors with a decisive impact on prosperity and stability of the tested business entities

Further, statistical methods have been used to test dependence / independence between selected categorical variables and profitability of enterprises (see table 1).

Country	Tested relation	P-value	Dependence / Independence
Russia	Dependence between the strategy and profitability of enterprises	0.00834	dependent
China		0.8022	independent
Czech Rep.		0.01253	dependent
Russia	Dependence between the vision, mission and objectives and profitability of enterprises	0.1077	independent
China		0.6121	independent
Czech Rep.		0.1211	independent
Russia	Dependence between the strategy and size of enterprises	4.30E-11	dependent
China		0.1324	independent
Czech Rep.		1.34E-14	dependent
Russia	Dependence between the strategy and focus of enterprises	1.824E-09	dependent
China		0.9255	independent
Czech o		0,109	independent

Table 1: Dependence between strategic management tools and profitability of enterprises

The following conclusions can be made from table 1:

- For the Czech and Russian enterprises the dependence between corporate strategy and profitability has been proved. It can be attributed to the degree of openness of the economy, opinions of the managements and links to the state economic administrations.
- The dependence between vision, mission and strategic objectives and profitability of the enterprises has not been found for any of the tested groups. We suppose that the result has been affected by diversity in definition of those categories and by the level of managerial literacy, which can be, particularly for the extensive tested group of enterprises, seen as a negative finding. In case of the Czech and Russian enterprises the situation can be attributed to a high share of small and medium enterprises because these two size categories usually do not generate vision and mission in their strategic management.
- The effect of size of the enterprises on whether they develop a corporate strategy has been statistically proved for Czech and Chinese companies. It has been affected by the representation of size categories in the tested groups of Czech and Chinese enterprises (while in the latter group the effect was much less significant). Corporate strategy is viewed as a tool supporting growth predominantly by big enterprises.
- Dependence between development of the strategy and the sector has been proved only for the Russian enterprises. The result is in conflict with theoretical fundamentals of strategic management. The generally recognized principle is that corporate competitiveness is generated on a sector basis. In the Czech enterprises, particularly big ones, the principle is respected and the result has been negatively influenced by the high share of small and medium enterprises in the tested group. An explanation for the Chinese enterprises can be

different management ties, strongly dominated by regional and international connections, rather than by connections to the respective Chinese sector.

4. CONCLUSIONS

In the introduction of this paper we have emphasized that the tested group of enterprises was representative only in case of the Czech Republic. For the Russian and Chinese enterprises we made only a research attempt with results suggesting only a certain status and development in strategic management and decision-making. Despite this limitation, identical trends have been found in strategic management and decision-making in the corporate sphere of the tested countries and also expected discrepancies caused, in the author's opinion, by a different degree of and intensity of the market environment in the corporate sector.

The following main conclusions can be drawn from the performed research:

- The Chinese enterprises demonstrated the highest percentage of development of corporate strategy, they were followed by the Russian enterprises and, surprisingly, the lowest percentage of enterprises with developed strategies has been found in the Czech Republic.
- From the viewpoint of authors of corporate strategies, a significant agreement has been found for the Czech and Chinese enterprises where the corporate strategies were developed by the owners and the top managements involved in nearly equal shares. Different results have been found for the Russian enterprises where corporate strategies were mostly developed by the owners, followed by top managements.
- For the projection of a vision, mission and strategic objectives of an enterprise it has been found that these fundamental attributes of the corporate strategy were in most cases developed by the Chinese enterprises, followed by the Czech enterprises and the lowest incidence of the projection was found in the Russian enterprises.
- From the viewpoint of strategy focus, in the Czech and Chinese enterprises the corporate strategies focused primarily on the sector and the remaining part on internal growth of the enterprises. The Russian enterprises focused more on internal growth in comparison with the sector focus but the difference was not significant.
- The analysis of factors with decisive impacts on prosperity and stability of the tested business entities in the three countries has shown a common trend and development, regardless of the degree of openness of the national economies. A nearly identical representation has been proved for the factors like buyers /customers, quality, human resources, technology, capital, manufacturing and suppliers.
- Results of the statistical analysis of dependence/independence between selected categorical variables and profitability of the tested enterprises have been affected by the degree of openness of the economies, opinions of the managements and links to the state economic administrations. A negative finding is that the importance of strategic management has not been sufficiently appreciated, particularly by Czech managers of small and medium enterprises.

The results provided above undoubtedly reflect a degree of openness and growth rate of the national economies, a degree of international integration of the enterprises, character of management of the enterprises and ties to the national economic authorities. The quality of input information is naturally affected also by managerial literacy of managers of the tested enterprises and differences in the theories of strategic management in the individual countries.

In the era of ongoing internationalization and globalization of the world's economy one can expect a continually increasing importance of strategic management and decision-making as an

important tool for elimination of negative impacts of those processes. The author is aware of those facts and she will conduct a similar research with a higher emphasis on quality of the tested groups, particularly of foreign companies. Despite the occasionally conflicting results, it is possible to draw a general conclusion that in all the three countries strategic management is seen as a growth supporting factor and its importance in management of business entities has been increasing.

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