The impact of strategic management on business outcomes – Empirical research*

*Tone Češnovar***

Strategic management originates from strategic planning and as a technique for managing all important aspects of a company's environment it scientifically differs from other management techniques that only seek to improve operational effectiveness. Therefore, the empirical research first aimed to determine the influence of systematic use of strategic management, which fits in with prescriptive schools, on Slovenian wood-processing companies' business outcomes. The second aim was to establish the characteristics of using strategic management in order to improve a company's competitiveness. The empirical research reveals that those companies systematically applying strategic management achieved better business results than those that did not. To achieve a better effect in the use of strategic management, companies should improve in the preparing and assessing phases of using it.

Strategisches Management entsteht aus der strategischen Planung. Als eine Technik, die alle wichtigen Aspekte der Unternehmensumgebung in die Analyse einbezieht, unterscheidet sie sich signifikant von anderen Management-Techniken, die nur eine Optimierung des operativen Ergebnisses im Fokus haben. Folglich zielte die empirische Forschung zuerst darauf ab, den Einfluß des systematischen Gebrauchs von strategischem Management, wie er durch die führenden Schulen vorgegeben wird, auf die Geschäftsergebnisse slowenischer Unternehmen der Holzverarbeitung festzustellen. Das zweite Ziel war, die Eigenschaften des verwendeten strategischen Managements, das die Wettbewerbsfähigkeit der Firma verbessern sollte, heraus zu arbeiten. Die empirische Forschung deckt auf, dass jene Firmen, die systematisch strategisches Management anwenden, bessere Geschäftsresultate erzielten als die, die das nicht taten. Um beim strategischen Management einen größeren Erfolg zu erzielen, sollten Unternehmen schon in der Vorbereitung und beim Festsetzen der einzelnen Phasen Gebrauch davon machen.

Keywords: management technique, strategic management, business outcomes, financial indicators, company

---

* Manuscript received: 05. 11. 05, accepted: 11. 04. 06 (3 revisions)

** Tone Češnovar, PhD., University of Ljubljana, Faculty of Mechanical Engineering. Main research areas: management techniques, knowledge management. Corresponding adress: tone.cesnovar@fs.uni-lj.si

1. Introduction

In order to respond to challenges stemming from the environment and to improve business outcomes, management can use either conscious, controlled, formal processes in the form prescribed by various methods such as 'management technique' as presented in this article, or informal ways based on a manager's experiences, intuition, vision, emotions. Informal ways are congruent with strategy-as-practice (Chia 2004) and they are faster, more flexible and convenient for managing in a less comprehensive and complex internal company environment like in SMS companies.

Research by the American consultancy house Bain & Company (Rigby 2005), involving 7,283 companies from various branches around the world, showed that in the 1993-2005 period management used at least 65 different techniques for implementing their company policies, while in 2004 the companies concerned simultaneously each used an average of 13.4 different techniques. According to Grint (1997), in the last forty years at least one new technique has appeared every year.

The overabundance of techniques recommended by various management gurus, consultancy houses and sellers of information technology as solutions to almost any corporate problem often raises unrealistic expectations in management with regard to/ regarding the results of their application. Referring to a study by Harvard Business School on the use of management techniques by American companies, 75% of them were dissatisfied with the results of the techniques in use. The reason lies in the mechanistic use of approaches that promised significant benefits, while neglecting the critical selection of techniques and creative adjustment of a technique to suit specific circumstances (Nohria 1996; Micklethwait 2000). Therefore, it is extremely important for management to know the basic codes for how to use such techniques, enabling it to separate/ sort out those techniques useful to their company from mere fashionable novelties, thereby making it easier to avoid the potentially very serious consequences of applying inappropriate techniques.

Due to the different macro- and micro-economic environments in which most techniques were created, they are not directly transferable to the environment of companies in transition economies. Accordingly, studies on the influence of management techniques on a company's business are extremely useful for company management in transition economies.ropriate techniques.

2. Theoretical starting points

For at least the past decade managers have been preoccupied with improving operational effectiveness by using different management techniques such as (Porter 1998): TQM, BPR, CRM, BSC, benchmarking that seek to improve operational effectiveness or only certain aspects of companies' performances such as quality, speed, productivity and so on. Strategic management is about choosing the right place for defining a unique position, making clear trade-offs, a tighter fit, it involves a comprehensive approach to managing all important aspects of the company's internal environment and it therefore significantly differs from other management techniques.

2.1. Researched management technique and the branch

Several industry studies reveal that, as a consequence of more intense globalisation, Slovenian wood-processing companies have in the last few years been losing their competitive position in international markets (Dimovski 2000; Kropivšek 2001). Hence the very relevant question arises of to how companies use such a comprehensive, important and the world's most commonly used management technique, namely strategic management. To find this out, we conceived empirical research on the impact of strategic management which fits in with prescriptive schools on the business outcomes of Slovenian wood-processing companies. We chose strategic management according to information stemming from unstructured interviews, namely that it is the management technique most frequently used by wood-processing companies. We chose wood-processing because this branch is one of the biggest top exporters in the Slovenian economy and it is the third most important industrial branch according to the number of its employees.

A later section of this article describes the key characteristics of strategic management which should be known to management for the purpose of ensuring effective employment. Most of these characteristics also form the basis for empirical research in the following sections.

2.2. Key characteristics of strategic management

Strategic management means the planning of activities that are vital for the orientation and functioning of the entire company (Kast 1985). Management as the decision-maker plays the main role in analysing and envisaging events in the external environment, and adjusting the company to external impacts. The environment's various influences require a different strategic response. The most successful are those companies whose management is able to generate strategies that prepare the structure, processes, systems and culture for the envisaged changes in the environment.

Mintzberg (1998) divided strategic management into ten distinct models or 'schools' which have been emerging over time. The differences between them lie in the strategy formation process and management's role in the process. The first three models drive from prescriptive schools and are concerned with how strategies should be formulated. The next six models reflect descriptive schools which consider specific aspects of the strategy formation process and have less to do with prescribing ideal strategy behaviour than with describing how strategies are made. The last model arises from configuration schools and combines the first nine.

To fulfil the owner's expectations the company should satisfy the needs of target customers more successfully than its competitors, identify what form of competitive strategies should be developed and maintain the necessary competitive advantages. These are the results of management's decisions, accumulated resources and the ways they are engaged, strategic factors in the branch and limitations of the resources market (Oliver 1997).

Benefits and contribution

The positive effects of using strategic management are mentioned in many studies. For example, Hunger (1996) ascertained that strategic planning is shown to be beneficial in 89% of studied companies. Those which use strategic planning are more successful than the branch average (Rhyne 1986), while companies that do not apply strategic management have fewer chances of surviving (Capon 1994). Strategic planning helps managers to take a long-term view, diverts management from day-to-day operational problems, improves the decision-making process and has a positive effect on the companies financial performance (Schwenk 1993).

The important benefits for a company which applies strategic management are (Mintzberg 1998; Pučko 1999; Richardson 1995): the focus of effort and setting of directions; distinguishing the company from its environment; providing consistency in the decision-making process; magnifying the focus on the external environment; intensifying instruments for guiding and leading employees; making communication and mutual understanding easier; establishing a system for logical and systematic problem-solving; providing for the rational distribution of scare resources among units, programmes and projects allowing effective managing and lower business costs; enabling the controlling of the set objectives; reducing indistinctness; and ensuring order.

The main reason for using strategic management is to more easily master the business environment's complexity, which is difficult to achieve unless we manage it in a settled and systematic way. Skeleton and flexible planning could be a firm base for an on-time and successful company response (Pučko 2001).

Implementation

Slovenian companies frequently use Pucko's (1999) model of strategic management, which fits in with prescriptive schools and in a strategy formation process involves the following three phases:

1. Supposition-making,comprising forecasting environmental influences, past business evaluating and setting the mission;

2. Strategic planning, which involves SWOT analysis, strategic plan-making (setting targets and strategies, evaluating and selecting); and
3. Implementing strategies and control, which includes business planning, programming, organising, calculating, training, and recruiting.
A different view of strategic management is given by Hamel's model (1994) which is classified as falling belonging to descriptive schools. The model is based on forming in the future a focus strategy, starting with the core competencies, which are a bundle of implicit and explicit knowledge and technologies that enable a company to be competitively unique. Further, the company should create a strategic architecture or identify a visible substantial contribution to customer value and the mechanisms to make that feasible. Hamel's model is distinct from the traditional approach to strategy-making in terms of its greater flexibility, rewriting of industry rules, creating a new competitive space, its exploratory, open-ended and timeless testing for new opportunities, enlarging opportunity horizons, abandoning obsolete knowledge, line and staff driving. Criticism of the model points to the overlooking of resources important in achieving the mission and that the followers often achieve greater results than the pioneers.

In today's fast changing environment management does not always need to programme its strategies formally. Sometimes it must leave its strategies flexible, such as broad visions, to adapt to changing conditions (Mintzberg 1994). In such a volatile and competitive environment, strategy is no longer a matter of positioning a fixed set of activities along a value chain. Successful companies do not just add value, they reinvent it. This includes the forming of new roles and relationships among suppliers, customers, business partners and allies to co-produce innovative value for the buyer with key competencies (Norman 1996).

Criteria of effective use

The key responsibility for the successful use of strategic management lies on the side of top management, which should be very familiar with the internal and external environments, be responsible for the whole process of strategic management, be the main visionaries and strategists, in strategy planning and realisation they should attract the company's important stakeholders and change strategic thinking into a collective learning process, while the introduction of changes should be innovative and gradual (Mintzberg 1996). To successfully apply strategic management the assumptions about the environment, the mission and core competencies must fit in the reality, they must be known and understood throughout the organisation and be constantly tested (Drucker 1995).

Suitability

Companies must be flexible in order to be able to respond rapidly to competitive and market changes. 'Once the heart of strategy', positioning is rejected as being too static for today's dynamic markets and changing technologies. Since competitors can quickly copy any market position, a competitive advantage is at best temporary. A company can outperform its rivals only if it can establish a difference that it can preserve. Strategic positioning can be based on customers' needs, customer accessibility or the variety of a company's products or services (Porter 1998). These days strategic management is less focussed on planning products. The main focus lies on strategic positioning, which includes the planning and development of sustaining key success factors.

Critiques and limitation

Strategic management has been accompanied by much criticism. Where strategic thinking is lacking, the traditional strategy formulation process is not up to today's fast and dynamic environment changes, it usually focuses on analysing the past and it is too static in generating responses to existing environment conditions (Hammonds 2001; Strebel 2001). But, according to Richardson (1995), while strategic management is not contestable the quality of its actual use is more questionable. The critics of strategic management are categorised in the following three problem areas which reduce the expected results: a. inappropriate philosophy in strategy formulation; b. inadequate process used in analysing data; and c. the context of the planning system not fitting in with the real condition of the environment. Too formal a planning system is considered unsuitable for crises.

As presented in this section, strategic management encompasses all aspects of a companies' environment and therefore significantly differs from most other management techniques that only seek to improve certain aspects of a company's performance.

3. Aim of the empirical research

The aim of this research was to study the influence of using strategic management on the business outcomes of wood-processing companies, with the goal to provide management with information enabling it to make better choices when selecting and implementing techniques. A better insight into the key characteristics of strategic management may help management use it more efficiently and, consequently, achieve better business results.

In order to acsomplish the aim of the research, we set following targets:

a. Determine the frequency of strategic management use compared to foreign findings;

b. Investigate the impact of strategic management on companies' business outcomes;
c. To find out the main characteristics of strategic management as it is used in practice.

4. Methodology and sample

4.1. Sample framework

The research focused on companies with more than 50 employees since, according to information from the unstructured interviews, the management of smaller companies generally does not systematically apply management techniques to change companies. According to the criterion of the number of employees, in 2002 the wood-processing industry included 98 companies with more than 50 employees (Rataj 2002). Of these companies, 8 were in 'bankruptcy' and hence eliminated from the research. This means that the research involved 90 companies, which is also the size of the researched population.

4.2. Realised sample

48 valid answers were received in response to the questionnaires sent by mail, with the response rate thus amounting to 53.3%. According to criteria set under Article 52 of the Companies Act (Official Gazette of the RS 45-2548/2001), the structure of the sample was as follows: questionnaires were received from 5 small companies (50.0% response rate), 18 medium-sized companies (47.3% response rate), and 25 large companies (59.5% response rate).

4.3. Representativeness of the sample

In order to check the sample's representativeness, seven selected financial indicators were calculated for each company of the population on the basis of data acquired from i BON (2002) for the investigated period, namely: total income per employee; value added per employee; return on sales; return on equity; return on assets; ratio of operating revenues to expenses; and overall efficiency. The investigated population was then classified in two groups, namely companies participating in the research and those not participating. By applying a t-test to test for differences between the arithmetic means, both groups were compared with regard to their financial indicators. This showed there were no statistically significant differences between the two groups and, therefore, the research sample is representative.

4.4. Methodology used

In conceiving and carrying out the empirical research, the following scientific methods were employed:

1. To acquire information from primary sources, we used an extensive, unstructured interview and a written survey;
2. T-tests between participating and non-participating companies were undertaken to check the sample's representativeness;
3. A comparative method for contrasting the research findings with domestic and foreign research;
4. Discriminant analysis for determining any statistically significant differences between non-users and strategic management users and financial indicators, in which principal component analysis, variance analysis and LSD tests were also conducted;
5. Descriptive statistics to establish the key characteristics of the use of strategic management among the companies.

5. Results

5.1. Frequency of using strategic management

The data on the frequency of the use of strategic management were obtained from the statistics of companies responding to the questionnaire. Strategic management was used by 37 companies, which is 77% of all companies participating in the survey, 96% of which were large companies, 67% of which were medium-sized companies and 20% small ones.

Table 1. Frequency of using strategic management

	Number of companies			Total of companies using the techniques	% using strategic manage-ment	% of large companies using strategic manage-ment	% of medium companies using strategic manage-ment	% of small companies using strategic manage-ment
	Large	Medium	Small					
Strategic management	24	12	1	37	77 %	96 %	67 %	20 %

Source: empirical research among Slovenian wood-processing companies

Strategic management was systematically employed by 77% of Slovenian wood-processing companies, which almost equates with the use of this technique around the world, namely 79% (Rigby 2005). This finding for medium-sized companies is also comparable with research on the influence of strategic planning on small American companies where the technique was applied by 60.1% of companies (Rue 1998).

In the remainder of the surveyed companies (23%), managers used informal methods, which are similar to what has been called 'strategy-as-practice'. This was most often employed within smaller companies.

5.2. The impact of strategic management on business outcomes

The research was conducted by means of discriminant analysis, which was applied to determine whether statistically significant differences appeared among the two groups of companies participating in the research (non-users and users of strategic management) with regard to their business results.

Business results were studied on the basis of the seven financial indicators mentioned above. In order to check the co-dependence of the financial indicators, a correlation analysis was made. The correlation matrix displays there was a more or less considerable connection between individual indicators, causing multicollinearity. Consequently, the conclusions on the significance of individual indicators obtained on the basis of the statistical methods used become questionable, i.e. less reliable.

Due to this fact, principal component analysis was first performed, representing a method of forming new variables as a linear combination of the original variables. Principal component analysis thus enables the formation of new variables that are not interdependent. New variables or components are formed so that the first principal component (PC_1) explains the greatest possible part of the variance in the main figures, while the second principal component (PC_2) explains the greatest possible part of the variance not explained by the first principal component, and does not depend on the first principal variable etc. Acoordingly, the principal components obtained represent a certain composed index of the researched financial indicators.

By means of the principal component analysis, the seven variables thus produced two independent principal components PC_1 and PC_2 (Table 2), explaining 76.25% of the variance in the seven financial indicators (total income per employee, value added per employee, return on sales, return on equity, return on assets, ratio of operating revenues to expenses and overall efficiency).

Both components extracted were used to conduct discriminant analysis, with which we determined the discriminant function (**Z**) to explain the differences between the two researched groups of companies. In this way, 76.2% of the considered companies were classified correctly. The discriminant analysis showed that it was easiest to separate the two researched groups of companies on the basis of the following discriminant function:

$$Z = 3.31031E\text{-}17 + 1.157710278 \times PC_1 + 0.712776675 \times PC_2$$

The presentation of the value of the discriminant function in a one-dimensional discriminant space allows the value of the discriminant function to be calculated for each company by entering the above equation in the values of their principal components. As the two principal components are positively dependent on the independent variables, this means the value of a principal component will increase if the financial indicators increase. Thus, the higher the values of the principal components, the higher the value of the discriminant function of a company, meaning that a company moves in the one-dimensional discriminant space with dependence on its business results. In this way, the discriminant function shows how the business results of companies change (increase) with regard to the use or non-use of strategic management (Figure 1).

Table 2. Extraction of the significant principal components and explained variance of the main figures

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumu-lative %	Total	% of Variance	Cumu-lative %	Total	% of Variance	Cumu-lative %
1	4.096	58.509	58.509	4.09	58.509	58.509	3.56	50.863	50.863
2	1.242	17.747	76.256	1.24	17.747	76.256	1.77	25.392	76.256
3	0.784	11.196	87.452						
4	0.566	8.087	95.538						
5	0.258	3.679	99.217						
6	3.663E-02	0.523	99.740						
7	1.819E-02	0.260	100.000						
Extraction Method: Principal Component Analysis.									

Source: financial indicators acquired from i BON (i BON, 2002)

The calculated values of the discriminant function for companies show the lowest value for those companies that do not use strategic management (Figure 1), which is the result of the lower values of the financial indicators expressed with PC_1 and PC_2. Beyond makes differences in the business results between users and non-users of strategic management.

Below are some graphic presentations of the distinctions between the two groups of companies with regard to the value of two principal components (Figure 2). The lowest value of the first principal component, which explains 58% of the variance of the seven financial indicators, is expressed by those companies that do not use strategic management. Those companies that applied strategic management showed a higher value of the PC_1. Figure 2 also reveals differences in the first principal component between non-users and users. There is a similar situation with the second principal component, where the differences between non-users and users are even bigger than with PC_1.

Figure 1. Graphic presentation of the discriminant function

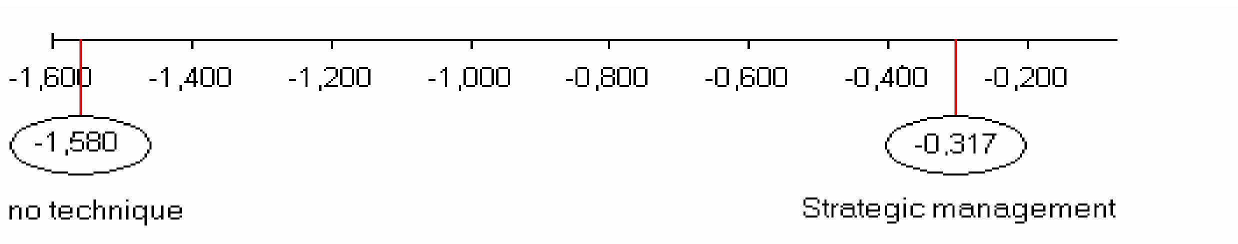
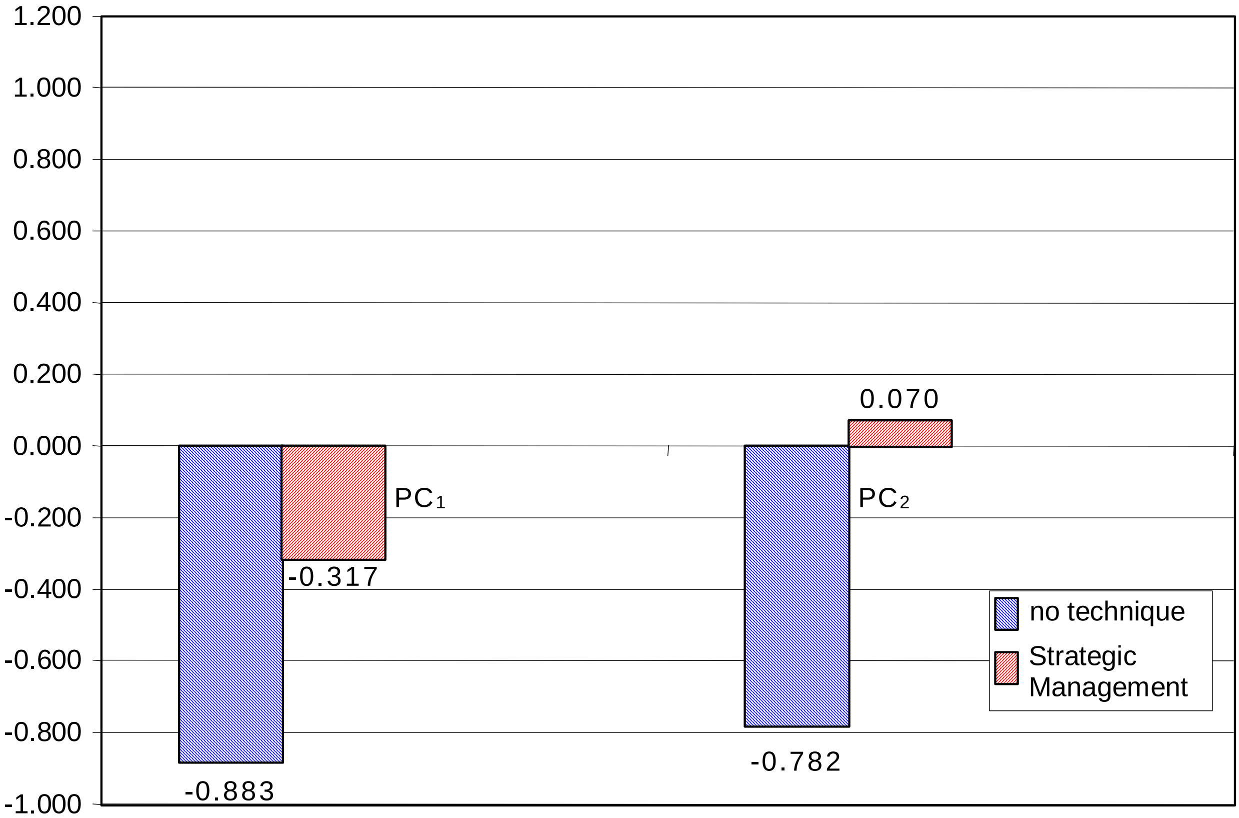


Figure 2. Differences between the Researched Groups of Companies with Regard to the Value of the Principal Components PC_1 and PC_2



Source: empirical research among Slovenian wood-processing companies

The findings of the different business results between the two groups of companies were also checked by variance analysis. Table 3 presents the differences between the two researched groups of companies with respect to the value of their discriminant functions. The statistically significant differences at the risk level of 0.05 are marked by *. The statistical significance of the differences was checked by means of the LSD test.

The results obtained from the variance analysis allow the conclusion (Table 3) that the financial indicators of those companies using strategic management differ according to the statistics significantly from those of companies not using it. These findings lead us to the conclusion that, according to the researched financial indicators, companies using strategic management were more successful than those not using it.

Slovenian wood-processing companies that use strategic management were statistically more successful than companies not using it. Similar results were obtained in the following foreign researches:

1. Companies using strategic planning in line with the strategic management theory are, in the long run, achieving better business results than companies not using it (Rhyne 1986);
2. Strategic planning has a positive impact on a company's business results (Schwenk 1993);
3. The viability of companies that do not make strategic plans is lower than that of companies using it. This exerts a positive influence on business results, although this is not a rule (Capon 1994).

Table 3. LSD Test between the two groups of companies with regard to the value of the discriminant function

(I) No. of techniques used	(J) No. of techniques used	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Limit	Upper Limit
No technique	Strategic management	-1.2628947*	0.4755949	0.011	-2.2248761	-0.3009133
Strategic management	no technique	1.2628947*	0.4755949	0.011	0.3009133	2.2248761
* The mean difference is significant at the 0.05 level.						

Source: financial indicators acquired from i BON (2002)

5.3. Characteristics of strategic management use

To find out the key characteristics of the systematic use of strategic management among wood-processing companies, an empirical model was constitued on basis of:

Pučko's (1999) model of strategic management which fits in with prescriptive schools (encompassing the phases of analysing, planning, implementing and controlling) and

four basic management functions: planning, organising, leading and controlling (Birchall 2001; Možina 2002).

The process of composed model for surveying strategic management use has four phases:

1. Preparing: analysing past business, internal and external environments;
2. Planning: forming the vision, objectives, strategies and other elements needed for successfully using strategic management;
3. Implementing: organising and leading to put changes into practice; and
4. Assessing the results and any corrective measures.

To study the characteristics of strategic management as used by the companies, on the basis of the theoretical starting points presented in the second section end on a subjective estimation, fifteen elements were formed and placed into the four phases of the model (Table 4). The elements of strategic management are founded on the work of prescriptive strategic management theory, along with the following empirical research:

a. strategic planning in smaller rapid-growth American companies (Shuman 1985);
b. the relationship between planning sophistication and performances in small American companies (Rue 1998);
c. musing on management, ten ideas designed to rile everyone who cares about management (Mintzberg 1996).

Reviewing the calculated mean of the use of individual strategic management elements shows (Table 4, row 2) that wood-processing companies most often make a yearly business plan, set strategic objectives, make a strategic plan, the managing director and top management are the carriers of the strategic management process, the vision is defined and a SWOT analysis is performed. Hardly ever, companies detect differences between the planned and actual performances, systematically adapt environmental influences on the company, have a formalised strategic planning procedure, as well as perform competition and customer analyses.

A review of the stages of the use of strategic management among wood-processing companies (Table 4, column 2) yields the following characteristics:

1. Preparing; containing elements 1 – 3. The phase mean is 3.3;
2. Planning; containing elements 4 – 8. The phase mean is 3.6;
3. Implementing; containing elements 9 – 11. The phase mean is 3.6; and
4. Assessing results and corrective measurements; containing elements 12 – 15. The phase mean is 3.4.

An examination of the arithmetic mean of the strategic management phases tell us that wood-processing companies pay least attention to the preparation phase (one), which sets the basic conditions for quality planning and implementation. The consequences are also reflected in weakly expressed results – phase IV. The poorly considered fourth phase (assessing results and corrective measurements) reduced companies' abilities to adapt their performances to environmental changes. Phases II and III are equally expressed.

The evaluated weakness of strategic management use is consistent with branch characteristics shown in a study of findings on the strategy of the wood-processing industry (Dimovski 2000). Furthermore following company weaknesses were discovered: superficial knowledge about competitors and customers; unsuitable product portfolio and a focus on mid-price-range products.

The loss of Slovenian wood processing companies' competitive position on international markets could also have originated from the unsystematic use of strategic management, namely from neglecting the preparation phase. The poor tracking and analysing of environmental influences might have delayed the adaptation of wood processing companies to the changes in the global market.

Table 4. Strategic management elements – intensity of use

Strategic management elements	Mean of intensity of elements use	Model phase
1. SWOT analysis has been undertaken	3.6	I
2. Analysis of customer needs and satisfaction has been done	3.2	I
3. Analysis of the competition has been undertaken	3.2	I
4. The vision is defined in writing	3.9	II
5. Strategic objectives are in a written form and agreed to by top management.	3.8	II
6. Strategic objectives are quantified and measurable	4.1	II
7. Strategic planning procedure has been formalised – prescribed	2.9	II
8. In the planning process several strategic options are generated, of these the most promising is selected	3.3	II
9. The managing director and top management are initiators and carriers of the strategic management process	4.1	III
10. The organisational structure and processes are adapted to the chosen strategy	3.4	III
11. Resource allocation has been performed according to the selected strategy	3.3	III
12. The systematic following, analysing and forecasting of environ-mental influences on the company has been established	2.9	IV
13. A strategic plan has been made	4.0	IV
14. A yearly business plan has been made	4.2	IV
15. The strategic and business plan contains procedures for detecting differences between the plan and actual performances and correcting these differences	2.7	IV
Mean of all strategic management elements	**3.5**	

Source: empirical research among Slovenian wood-processing companies

7. Conclusion

This article outlines the impact of strategic management which fits in with the prescriptive schools on the business outcomes of Slovenian wood-processing companies and the characteristics of applying strategic management. As a base for empirical research and also for the purpose of helping management ensure effective employment, the key characteristics of strategic management were described in section two. The usefulness of the research is enhanced by comparisons made with related research in Slovenia and abroad, which indicates that opportunities for wood-processing companies remain unused when applying strategic management. The key findings of this research are:

1. Slovenian wood-processing companies systematically used strategic management (77%) to almost the same extent as foreign companies (79%);
2. The systematic users of strategic management achieved better business outcomes than companies that used informal ways of managing;
3. To achieve a better effect of strategic management use, companies should improve systems for tracking and analysing environmental influences and implement more sophisticated methods of assessing strategic management's implemental results and corrective action;
4. The neglect of some strategic management activities in the preparation and assessment phase had influence on loss of wood processing companies' competitive position on the global market.

The empirical research leads us to the conclusion that the systematic application of strategic management does indeed exert a positive influence on the business results of companies. In order to catch up with foreign competition, wood-processing companies should also apply strategic management more systematically, that is, they should use equally all activities in the strategic management process.

In complex internal and external environments, formal and prescribed methods of changing a company are shown to be more appropriate, regardless a non-critical methods imitation poses a potential threat to the company. However, a competitive position could be achieved only through the creative adjustment of methods to the companies' specific circumstances, requiring management to be physically involved.

A limitation of the empirical research comes from the emphasis on prescriptive schools of strategic management and its subsequent neglect of strategic management models derived from the descriptive and configuration schools. In studying the characteristics of using strategic management, fifteen of its key characteristics were reviewed and therefore some features might have been overlooked.

In order to help boost the competitiveness of Slovenian wood-processing companies, it would be useful to develop further research that draws from these other approaches to strategic management and from a wider range of techniques on business operations. Comparative research in other branches of the economy is also both sensible and necessary.

References

Capon, N./Farley J.U.(1994): Strategic planning and financial performance: More evidence, in: Journal of management studies, Oxford, 31, 1, 105–111.

Chia, R.(2004): Strategy-as-practice: reflections on the research agenda, in: European Management Review, Houndmills, 1 1, 29 – 34.

David, B.W.(2001): What managers do. in: Crainer S./Dearlove D.: Handbook of management, 2nd Edition, Financial Times, Prentice Hall, London,110–131.

Grint, K.(1997): Fuzzy management, contemporary ideas and practices at work, Oxford University Press, Oxford.

Hamel, G./Prahalad, C.K.(1994): Competing for the future, Harvard Business School Press, Boston.

Hammonds, K.H.(2001): Michael Porter's big ideas, in: fast company issue 44, 150–155, (URL: http://www.fastcompany.com/online/44/porter.html, 1. 2. 2002.

Hunger, D.J./Wheelen, T.L.(1996): Strategic management, Reading: Addison-Wiley Publishing Company.

Jože, K.(2001): Globalizacija poslovnega okolja in njen vpliv na oblikovanje organizacijskih značilnosti lesnoindustrijskih podjetij, doktorska disertacija, Univerza v Ljubljani, Ekonomska fakulteta, Ljubljana.

Kast, F.E./Rosenzweig, J.E.(1985): Organization and management, in: a systems and contingent approach, McGraw-Hill, New York.

Micklethwhait, J./Wooldridge, A.(2000): Guruji managementa: modreci ali šarlatani?, Didakta, Radovljica.

Mintzberg, H.(1994): The rise & fall of strategic planning, Prentice Hall International, London.

Mintzberg, H.(1996): Musings on management, in: Harvard Business Review, Harvard Business School Press, Boston, 74, 4, 61-68.

Mintzberg, H./Ahlstrand, B./Lampel, J.(1998): Strategy safari, a guided tour through the wilds of strategic management, Prentice Hall, London.

Možina, S.(2002): Management, Nova znanja za uspeh, Didakta, Radovljica.

Nohria, N./Berkley, J.D.(1996): Whatever happened to the take-charge manager.in: Champy, J./Nohria, N.: Fast forward, The best ideas on managing business change, in: Harvard Business Review Book, Boston, 215–228.

Normann, R./Ramirez, R.(1996): From value chain to value constellation: Designing interactive strategy. in: knjigi, V/Champy, J./Nohria, N.: Fast forward, the best ideas on managing business change, in: Harvard Business Review Book, Boston, 39–60.

Oliver, C.(1997): Sustainable Competitive Advantage: Combining Institutional and Resource-based Views, in: Strategic Management Journal, Oct. 97, 18, 9, 697–713.

Ohmae, K.(2001): Strategy in a world without borders, leader to leader. in: Crainer, S./Dearlove, D.: Handbook of management, 2nd Edition, Financial Times, Prentice Hall, London, 176–178.

Peter, D.F.(1995): Managing in a time of great change, in: Truman Talley Books/Dutton, New York.

Porter, M.E.(1998): What is strategy?, business classics: Fifteen key concepts for managerial success, in: Harvard Business Review, Harvard Business School Press, Boston, 74–91.

Pučko, D.(1999): Strateško upravljanje, Univerza v Ljubljani, Ekonomska fakulteta, Ljubljana.

Pučko, D./Čater, T.(2001): Vpliv letnega načrtovanja na poslovno uspešnost podjetja. V knjigi: Analiziranje kot strokovno orodje uveljavljanja prednosti in odpravljanja pomanjkljivosti v poslovanju združb, Sekcija za poslovne analize, 7. Strokovno posvetovanje o sodobnih vidikih analize poslovanja in organizacije, Zveza Ekonomistov Slovenije, Portorož, September 2001, 49–65.

Rhyne, L.C.(1986): The relationship of strategic planning to financial performance, in: Strategic Management Journal, Chichester, Sept/Oct. 1986, 7, 5, 423–437.

Richardson, B.(1995): In defence of business planning: Why and how it still works for small firms and corporations of small business units, in: Small business and enterprise development, John Wiley & Sons, Ltd., 2, 41–57.

Rigby, D./Bilodeau, B.(2005): Management tools and trends 2005 - Global results, Bain & Company, Boston.

Rue, L.W./Ibrahim, N.A.(1998): The relationship between planning sophistication and performance in small businesses, in: Journal of Small Business Management, 36, 4, 24–33.

Schwenk, C.R./Shrader, C.B.(1993): Effects of formal strategic planning on financial performance in small firms: A meta-analysis, in: Entrepreneurship theory and practice waco, 17, 3, 53–64.

Shuman, J.C./Shaw, J.J./Sussman, G.(1985): Strategic planning in smaller rapid growth companies, in: long range planning, 18, 6, 48–53.

Vlado, D./Mirko, T./Jože, K./Igor, M./Miran, Z./Rozi, A./Marko, K./Janez, Z./Tina, B./Mateja, A.(2000): Strategija razvoja slovenskega lesarstva z vidika koncipiranja notranjih in zunanjih ukrepov ter aktivnosti za doseganje strateških ciljev, Center za mednarodno konkurenčnost – CIC, Ljubljana.

SOURCES:

i BON 2002 (2002), Bonitete poslovanja za slovenska podjetja, II. izdaja, Novi forum d.o.o., Ljubljana.

Rataj, S. (2002): Poročilo o registriranih podjetjih za Lesno industrijo, Gospodarska zbornica Slovenije, Info - link, Ljubljana.