STRATEGIC MANAGEMENT TOOLS USED BY CHIEF EXECUTIVE OFFICERS AMONG MSMES IN SLOVAKIA

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ABSTRACT

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ABSTRACT The purpose of this bachelor thesis was to design and develop a handbook of strategic management tools used by CEOs among MSMEs in the Slovak Republic for current CEOs or future CEOs considering to start-up their own business. The theoretical framework introduces aspects regarding strategy in a business context and strategic management tools. The handbook was done in collaboration with a commissioning company in Slovakia.

The main objective of this research study was to find out the most common and integrated strategic management tools by CEOs among MSMEs in Slovakia, and find a reason for the integration of specific strategic management tools from the perspective of CEOs among MSMEs in Slovakia.

The research was implemented with quantitative research method, to provide numerical data facts about the usage of the integration of strategic management tools among MSMEs in Slovakia. The author conducted both, primary and secondary data in this handbook. The theoretical framework was completed with secondary data extracted from academic books, journals, and publications from relevant institutions. Hence, the empirical research has an essential impact on this handbook, as data collected from the survey is considered as primary data.

Among the most popular strategic management tools belongs SWOT, whereas the current strategic initiatives and reasons for integrating strategic management tools differs among the MSME segments.

The most significant aspect of the usage of strategic management tools among top-management is proper understating and knowledge of the particular strategic management tools in order to use them effectively.

Keywords CEOs, MSMEs, Strategic management tools, Slovakia

Pages 69 pages including appendices 28 pages

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1 INTRODUCTION

When observing today's business environment within European countries, micro, small and medium-sized enterprises (hereby in this handbook referred to as MSMEs) account for more than 99 percent of all business entities – organizations in the European Union (hereby in this handbook referred to as EU) (European Commission, n.d.).

With this in mind, MSMEs are significantly added value in the economy for member states of the EU, due to fact that employment across MSMEs within the last five years has increased and created approximately 85 percent of new jobs. Particularly, in the private sector the total employment of MSMEs in the EU accounts for two-thirds of total employment in the EU. Added value from the segment of MSMEs generates sustainable growth for countries across the EU but on the other hand, creates a lot of competitiveness among competitors within segment of MSMEs (European Commission, n.d.)

According to the European Commission (n.d.) entrepreneurship within MSMEs is the key and crucial step for sustainable and economic growth, job creation, innovation and lastly social integration in the EU. Despite Great Britain leaving the EU on the 1st of February in 2020, the total amount - percentage of more than 99 percent of MSMEs did not change within the EU. MSMEs are still considered as the backbone of the European economy.

When observing strategic management and its tools and steps such as planning, formulation, implementation and evaluation in the segment of MSMEs in Central and Eastern Europe region (hereby in this handbook referred to as CEE), especially in the territory of the Slovak Republic across economic sectors such as agriculture, industry, and service there is a research gap. Development and following integration of strategic management tools within segment of MSMEs in Slovakia is a significant process to sustain competitiveness in order to sustain economic growth. This is because competition among MSMEs is very high, as more than 474 thousand business entities among MSMEs within Slovakia are competing to survive within the market, industry and the business environment (European Commission, 2020, p.2).

The author of this handbook - research study, aims to fill and supply research gaps within the strategic management area in the segment of MSMEs in the Slovak Republic. In addition to that, this research study points specifically to the link between strategic management and sustainable growth of MSMEs in Slovakia. In order to be able to understand the relation, interconnection, and importance of strategy development and following integration of strategic management tools, especially for Chief Executive Officers (hereby in this handbook referred to as CEOs) of companies in segment of MSMEs, company's CEOs should be aware that strategic planning is an inseparable part of managerial and executive day-to-day work execution. Therefore, the major research question and secondary research question and objectives of this handbook – research study, are stated in point 1.1 and point 1.2 of this research study.

Each of the single factors within strategic management are highly and closely associated with each other. As a consequence of that, this research study conducts a model of strategic management tools for CEOs of MSMEs in Slovakia.

1.1 **Research questions**

At this time, the research question within this research study is characterized by the author in two spectrums. The first spectrum consists of the primary research question, and the second spectrum consists of the questions related to the primary research question, and supporting the primary research question.

First and foremost, the primary research question within this research study is: What are the most common strategic management tools used by CEOs among MSMEs in Slovakia?

1.2 **Research objectives**

The objectives of this research study are based mainly on the research questions. The main objective of this research study is to find out the most common and integrated strategic management tools among MSMEs in Slovakia and find the reason for the integration of specific strategic management tools from the perspective of CEOs among MSMEs in Slovakia.

The Secondary research objectives are supporting the principal research objective of this research study. Therefore, the author of this research study aimed to examine the following subjects:

1. To introduce theoretical framework related to strategy in business context, strategic management process, and strategic management tools, mostly to figure out aspects associated with strategic management to support the empirical research.

2. In the empirical research, to examine the difference and most frequently integrated strategic management tools, level of satisfaction of integrated strategic management tools from the CEO's perspective among MSMEs in Slovakia.

3. To summarize and give recommendations based upon findings from the empirical research for the integration of strategic management tools in the segment of MSMEs from the CEO's perspective in Slovakia.

1.3 Research methods

The author conducted a quantitative research method in this bachelor thesis, whereas the collection of the data was implemented through a primary and secondary data collection method. Approach towards the research question in this handbook was implemented through a survey methodology. The purpose of that was to create a picture of theories related to strategy in business context, strategic management, and its tools with the following implication of the theoretical framework later in the empirical research section. Most of the theories conducted in this handbook, were extracted from strategic management, business management, entrepreneurship books, and academic journals as well from the European Commission, Slovak Business Agency and Slovak Chamber of Commerce and Industry publications.

According to the Krishnaswami and Satyaprasad (2010, p.2), authors of the book -Business research methods-, described research as follows. Research is a simple definition of the process when an author of the research seeks for the facts. Matter of facts are relevant in order to solve the research phenomenon, problems, and questions with suitable solutions in order to achieve research objectives and purpose. In other words, research can be translated as an investigation with purpose. Therefore, a research process aims to find suitable solutions, explanations based on findings within the research process. This can be done in various approaches and methods.

According to Cooper and Schindler (2008, p.148), data from secondary sources incorporates a lot of data obtained by others. The raw pieces of information and data are assembled and changed in a progressively concise structure for additional examination. This information is encapsulated under valid and scholarly sources from the web or industry considered books, diaries, and journals. This is a quick, minimal effort, effectively open strategy for gathering information and the outcomes and advantages are impressive (Cooper et al., 2008, p.148).

The empirical research method, in other words, experimental research is an approach towards qualitative and quantitative outcomes by utilizing a lot of information assembled on experience, assessment, studying. This methodology gives prosperous applied data to address research questions and recognize the disputable phenomenon. Hence, empirical research has an essential impact on this handbook, as data collected in the questionnaire are considered as primary data. The research method empowers the author of the handbook, to observe CEOs and managing directors (hereby in this handbook referred to as MDs) in the segment of MSMEs in Slovakia and analyze the integration of strategic management tools among MSMEs (Cooper et al., 2008, p.212).

1.4 Explanation of notions used in this handbook

Table 1. The table below describes the notions used in this handbook (Author's own work).

Notions	Explanation of notion
BCG matrix	Boston Consulting Group matrix (growth-share matrix)
BSC	Balanced scorecard
CEE	Central and Eastern Europe region
CEO	Chief executive officer
CQA	Critical question analysis
EU	European Union
KPIs	Key performance indicators
MD	Managing director of a business organization
MSMEs	Micro, Small and Medium-sized enterprises
P5Fs	Porter's five forces model
SWOT	Strengths, Weaknesses, Opportunities, Threats
VP	Vice-president of a business organization
VRIO	Value, Rarity, Inimitability, and organization's support

2 THEORETICAL FRAMEWORK

2.1 Definition of strategy in business context

The authors' Johnson, Whittington, Scholes, Angwin, and Regnér (2017, p.4) of the book -Exploring Strategy- outlined strategy in a business context as the process of the direction where an organization aims to lead in a long-term period.

Whereas the strategy theorists describe strategy from various angles. For instance, according to Alfred D. Chandler, strategy is the definition of the long-run objectives and goals of an organization with the adaptability of actions and courses with following allocation of the resources required to achieve the long-run objectives and goals. A second theorist Michael Porter, also considered as the father of strategy, describes strategy as a function to differentiate from the competitors. This means that organizations with purpose in mind choose a diverse set of activities and actions to deliver an exclusive mix of values. Following that, a third strategy theorist Peter Drucker, also considered as the father of management, defined strategy as an organization's theory about the process of how to acquire competitive advantages. Another meaningful strategy theorist Henry Mintzberg characterizes strategy as a sample within a stream of decisions (Johnson et al., 2017, p.4).

2.2 Definition of strategic management

Strategic management is a mixture of science and art that empowers any organization to achieve its goals and objectives. Particularly in this research study, the author of the thesis used the definition of strategic management synonymously with the definition of strategic planning. It is very common to hear, read or see the definition of strategic management in academic institutions, whereas in the business environment and real business world the definition of strategic planning is more frequently used. Strategic management consists of five guideline principles when the strategic management is integrated within an organization. Those guideline principles can be translated to the following steps: identification of vision, mission, and goals, assessment or analysis of the internal capabilities of a business organization, assessment or analysis of external environment - external forces, strategy formulation, strategy implementation, and strategy evaluation. To help people outside of the business environment to better understand more clearly about strategic management, the constant definition of strategic management is very often used to indicate strategy formulation, strategy implementation, and strategy evaluation. This is in contrast to strategic planning which is very often used to indicate only to strategy formulation. To summarize the definition of strategic management in this research study is,: the process of identification of vision, mission, goals, assessment of internal capabilities and external environment, strategy formulation, strategy implementation and strategy evaluation of cross-functional decisions in order to achieve an organization's objectives and goals in the future. Therefore, the purpose of strategic management can be described as a process of creation and employment of advanced and diverse opportunities for the future. In other words, strategic management is a process of long-range planning whereby strategic management adapts and adjusts for tomorrow the directions of today (David & David, 2017, p.33).

The author of the book – making strategy work, Lawrence G. Hrebiniak (2013), consider the phase of strategy implementation, which is also synonymously used by the author of this research study with definition of strategy execution, as a prime to achieve strategic objectives of a business organization. Strategy execution is a very disciplined process or reasoned mixture of common activities that allow a business organization to undertake a formulated strategy and make it work. Therefore, without a diligent and planned method to strategy implementation in order to achieve strategic goals, most probably the strategic goal will not be attained (Hrebniak, 2013, p.4-7).

Having a strategic plan nowadays, it is essential for business organizations to have an organization's game plan. For instance, as any sports team uses a game plan in order to succeed within the game, tournament or competition, business organizations should have a viable strategic plan in order to beat the competitors successfully. Within most of the markets, industries and sectors, profit margins among the competitors are thin, hence mistakes and errors play a crucial role within a comprehensive strategic plan (David et al., 2017, p.33).

2.3 Process of strategic management in business organizations

To characterize the strategic management process and its steps: identification of vision, mission, goals, assessment of internal capabilities and external forces, strategy formulation, strategy implementation and strategy evaluation of a business organization in the segment of , (MSMEs) in Slovakia, activities occur among hierarchical levels within a business organization (Solomon, Poatsy, & Martin, 2016, p.226).

On the top of the pyramid is the top-management where the positions are held by CEOs, MDs, and presidents or vice presidents (hereby in this handbook referred to as VPs) of a business organization, which generates long-term plans, goals, and is responsible for the vision and mission statement of a business organization. In the middle of the pyramid is the middle-management, which is responsible for tactical plans and coordinates particular plans with established vision of the business organization. Lastly, on the bottom of the pyramid is the first-line management, which is responsible for the operational plans and supervise employees within a business organization’s daily activities and operations (Solomon et al., 2016, p.226).

Genuine interaction and communication across the hierarchical levels among employees and managers can encourage strategic management as a source that helps a business organization as a competitive able team. Most of the MSMEs and some large organizations do not have hierarchical levels such as departments, divisions or strategic business units. In this case, business organizations have got only top-management and first-line management levels. Nevertheless, employees and managers among these two levels should interact and communicate actively when it comes to strategic management activities (David et al., 2017, p.34).

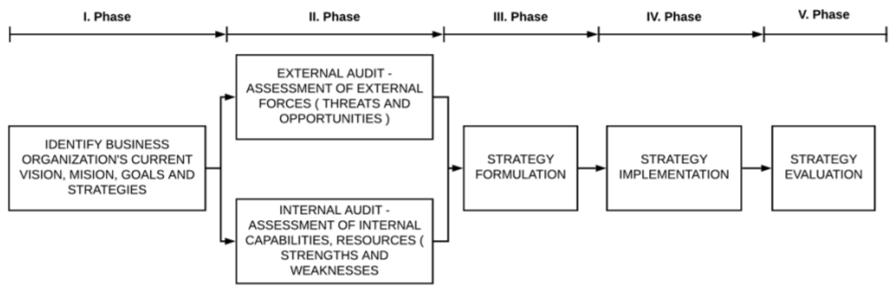


Figure 1. The diagram above represents the process of strategic management and its steps. The three phases characterize the planning processes followed by implementation and evaluation. Strategy formulation, implementation, and evaluation includes more in-depth procedures that develop each of the phases to the most accurate level (Robbins et al., 2016, p. 270).

2.3.1 Identification of vision, mission and goals in business organization

According to James S. Collins and Jerry I. Porras (1996, p.65-77), vision of the business organizations which enjoy enduring achievements, results and success is based upon core purpose and core values which remained fixed, concrete and lasting, while the business strategies, operations, and activities have been adapted towards the fast-changing business environment. Truly smart business organizations can characterize the contrast of what should be explicitly changed and implicitly not changed in any case under any circumstances. (Collins et al., 1996, p.65-66).

On the top of strategic management process, there is a need for the establishment of vision, mission and most importantly the objectives of a business organization. Hence, the strategic management process starts with the definition of vision. Vision reflects what a business organization aspires to. Following that, the mission of a business organization reflects why a particular business organization exists. As a result of a mission, many business organizations define mission as a two-sided tool, what business organization wants to avoid in meantime and secondly, what business organization aspires to achieve in long-term period. Missions in business practices are very often written in terms of mission statements (Barney & Hesterly, 2019, p.27).

Additionally to vision and mission, goals and objectives are considered as desired targets, results or outcomes. Objectives reflects what business organization wants to achieve. Most of the company's objectives can be classified either as financial or strategic. In every case, business organization should have more than one goal, it is essential that business organizations wants to make a profit and non-profit organizations wants to meet the standards and needs of stakeholders involved within the activities of non-profit organizations. For instance, when a business organization states that a target is to sell 10 thousand units of goods or services, this is an example of stated goals. Stated goals are defined as formal statements of what a business organization states, and what a business organization wants its different stakeholders to be aware of and Thbelieve in the business organization's goals. Stated goals may be found among public statements, stated by CEOs or MDs, public relations announcements and business organization's charters. On the other hand, real goals are defined as informal targets, which observe the performance of a business organization and its members. Usually, real goals are defined by the members of a business organization based upon actions, which define priorities. With this in mind, it is essential to have clearly defined goals in order to establish any type of plan in business environment. Definition of a formal strategic business plan is listed in section 2.4.2 of this handbook (Robbins et al., 2016, p.249).

2.3.2 Internal audit

In this handbook – research study, the definition of internal audit is used also synonymously with the definition of internal analysis and assessment of internal capabilities, resources and internal forces of a business organization. Internal capabilities could be described also as strengths and weaknesses. Internal audit is the second phase of the strategic management process, it is categorized as the planning phase in the strategic management process (David et al., 2017, p.179-180).

When, vision, mission, and goals are clearly defined for a business organization, top-management should be aware of the internal capabilities, resources and what are the major and minor strengths or weaknesses of the business organization. In the strategic management process, especially in the phase of strategic planning of internal environment of a business organization, it is very important to assess all of the internal forces and areas, and be aware how the business organization is working across the internal areas such as finance, marketing, accounting, production, and operations, etc. Internal forces that are considered as strengths and at the same time are not easy to be imitated by competition are described also as distinctive competencies. If a firm wants to build a competitive advantage, it means to exploit advantage out of the distinctive competencies (David et al., 2017, p.179-180).

Therefore, strategies that any business organization tries to implement should include improvement of weaknesses with the following turn out into strengths, in some cases, weaknesses can be turned out into distinctive competencies (David et al., 2017, p.179-180).

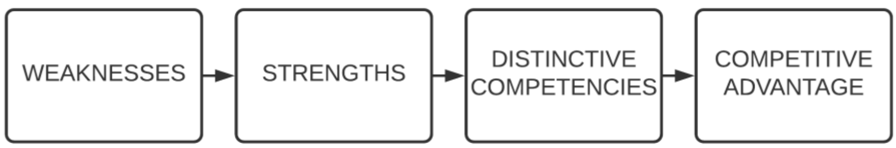


Figure 2. The diagram above illustrates the process of building a competitive advantage in a business organization through distinctive competencies, which are built from strengths and weaknesses (David et al., 2017, p.180).

2.3.3 External audit

The definition of external audit is used synonymously also with the definition of external analysis and assessment of external forces within the business environment of a business organization. External audit is the second phase of the strategic management process, it is categorized as the planning phase in the strategic management process (David et al., 2017, p.219).

From a management perspective, after identification of vision, mission, objectives, analysis, and assessment of internal factors of the business organization, the purpose of an external audit is to analyze and determine external forces of a business organization such as opportunities and threats, which could be advantage source to exploit from or disadvantage source where business organization should refrain from these threats. It is important to keep in mind that external audits should be a finite list of threats and opportunities. The reason for that is that a business organization should be keen on analyzing key external factors which may directly influence the business organization and which can be responded to, instead of analyzing too general and wide external factors of the business organization. Internal response of a business organization towards external factors can be either defensive or offensive. However, the business organization should undertake response which will have a positive impact on the business (David et al., 2017, p.219).

To conclude the idea of external audit, business organizations should adopt and formulate strategy accordingly towards external environmental factors, decisions should be made based upon aspects which will be beneficial for a long-term period and will gain a competitive advantage from external opportunities and eliminate the influence of external threats within business environment (David et al., 2017, p.219).

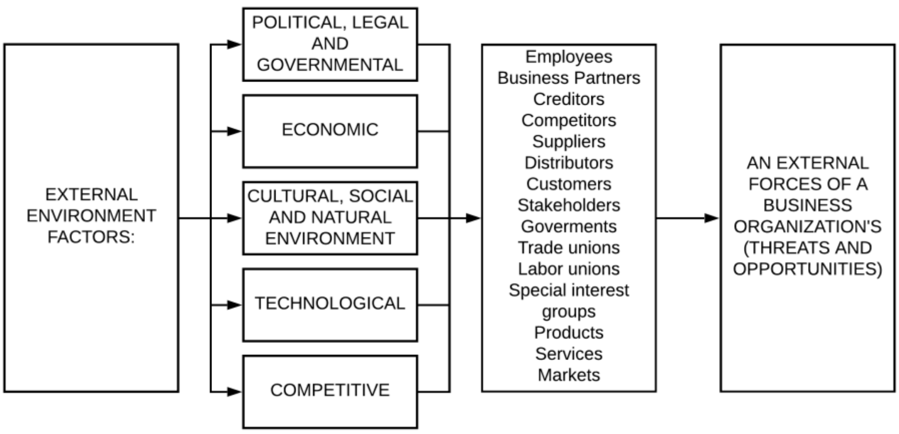


Figure 3. The diagram above illustrates the relation and interconnection of key external forces within the business environment and the business organization’s threats and opportunities (David et al., 2017, p.220).

2.3.4 Strategy formulation

Phase of strategy formulation helps a business organization to define the strategic position within the business environment, it is the last phase of planning in the strategic management process and the beginning stage of strategic management. The strategic position within business environment is based on internal and external business factors. Among external factors within the business environment could be sorted aspects such as macro-environment which includes more aspects like sector or industry, competitors or markets, cultures or stakeholders. On the contrary among internal factors within the business environment of an organization could be sorted aspects such as organization's internal strengths or weaknesses hereby translated to the resources or capabilities of a business organization (Johnson et al., 2017, p.33).

In order to clearly clarify the first phase of strategic management - strategy formulation, the phase of strategy formulation consists of the process of the development of vision and mission, determination of business organization's internal weaknesses and strengths, identification of business organization's external threats and opportunities, formation of long-term objectives and goals, generation of substitute strategies, and decision of specific strategies to pursue. In contrast to inclusions of strategy formulation, phase carry considerable concerns and affairs as well. For instance, strategy formulation affairs may include decision processes such as whether to internationalize – enter foreign markets, whether to form a joint venture or merge with another business organization, whether to diversify business operations or broaden business operations, what new business activities should be integrated or what business activities should be dispersed and last but not least how to avoid bankruptcy or a hostile acquisition from another business organization. Due to fact, no business organization has got unlimited resources, strategists – in most of the cases, CEOs and MDs must take the action of deciding which one of the alternative strategies will be the most beneficial for the business organization. Decisions within the strategy formulation phase bind the business organization to its specific resources, goods or services, markets and technologies over a long-range period of time. Business strategies should enable business organizations to acquire competitive advantages for the long-term. More or less, strategic decisions within phase of strategy formulation have large-scale of steady impacts and consequences on the business organization. Hence, CEOs and MDs have the best angle to fully understand the consequences of strategy formulation decisions. They have the power to be responsible for the resources required and needed for strategy implementation (David et al., 2017, p. 33-34).

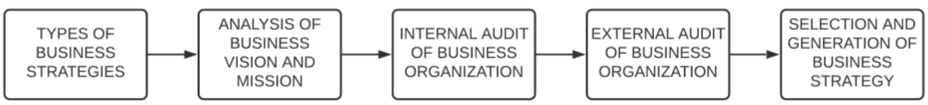


Figure 4. The diagram above illustrates the last phase of the strategic planning in the strategic management process – strategy formulation and its steps. Strategy formulation helps to characterize the strategic position within the business environment (David et al., 2017, p.42).

2.3.5 Strategy implementation

The phase of strategy implementation helps to undertake strategic choices towards strategic objectives and goals of a business organization within the business environment, it is the fourth phase of the strategic management process. Phase of strategy implementation desires from a business organization to have clearly defined strategic goals and objectives, allocated either finance or human resources whereas employees should be motivated towards the strategic goals and objectives in addition to the invention of internal policies of a business organization (Johnson et al., 2017, p.206)

The process of strategy implementation consists of various steps. To begin with the most important one, the business organization should have established strategic goals and objectives in the first phase of the strategic management process. Strategic goals and objectives are defined for a period of time for three years and more from the day of establishment of strategic goals or objectives, therefore they are defined as strategic. Every goal and objective, which is defined for a shorter period of time is so-called operational goal or objective (Robbins & Coulter, 2016, p.249). Furthermore, the strategy implementation phase consists of the preparation of budgets, creation of the effective structure within business organization, development of strategy-collateral culture, usage and development of information technologies, redirection of marketing force and lastly affiliation of employee reward to performance of the business organization (David et al., 2017, p.34)

Implementing business strategy means for CEOs and MDs to integrate employees, first-line management and middle-class management to undertake strategic choices based upon formulated strategies of a business organization. The phase of strategy implementation is the most crucial step within the strategic management process as the phase desires interpersonal skills such as personal commitment, self-discipline, and sacrifice. In order to implement formulated strategy successfully, CEOs' and MDs' attributes of leadership, particularly motivation of their employees within their business organizations depend on their ability to motivate, inspire and integrate all of the employees towards the strategic goals and objectives. Phase of strategy implementation and execution has a significant impact on all managers and employees within the business organization. Hence, the ability to inspire, motivate and involve employees is more considered as an art in comparison with science. When formulated strategies are not implemented or executed, it does not serve any long-term effective purpose for the business organization. Undoubtedly, every single department and division within a business organization has to have clear answers regarding the strategy implementation phase. For instance, What is the best approach to get the work, task or job done? Or, How should managers and employees involved within a business organization execute their parts in strategy implementation in order to follow the business organization’s business strategy. In contrast to the implementation and execution of strategy, the phase of strategy implementation carries considerable challenges. In this case, employees and managers should be stimulated via a business organization to work with enthusiasm, dedication, and pride towards the achievement of clearly stated strategic goals and objectives (David, 2017, p.34).

Figure 5. The diagram above illustrates the fourth phase of the strategic management process – strategy implementation and its steps. Strategy implementation defines strategic choices regarding the business positioning among markets, industries, and products under strategic methods (Johnson et al., 2017, p.206).

2.3.6 Strategy evaluation

Phase of strategy evaluation monitors the undertaken business strategy of a business organization within the business environment. The strategy evaluation phase is the last phase of the strategic management process and it includes monitoring of organized, managed and led strategic processes of a business organization’s strategy (Johnson et al., 2017, p.375-376)

According to David (2017) CEOs, MDs, and people so-called strategists among MSMEs, should be aware and know when specific strategies are not working efficiently for a business organization. Therefore, the phase of strategy evaluation should help strategists as the primary source of relevant information regarding the strategy. Every and each of the strategies that have been undertaken by a business organization needs to be modified more or less due to the constant change of internal and external factors within the business environment. With this in mind, the strategy evaluation phase consists of three essential strategy actions. Firstly, strategists should review the internal and external factors that are bases for the actual business strategy. Secondly, strategists should measure and monitor the current performance of the business organization. Thirdly, strategists should have the ability to correct the activities which have been ineffective during the specific strategy implemented and prevent the business organization from inefficient and ineffective business actions. Nevertheless, the strategy evaluation phase is highly needed but at the same time highly underestimated. As a consequence of that, strategists should be keen on strategy evaluation as today‘s success is not guaranteed for tomorrow! Success in business always creates different and new types of problems, for instance, complacent business organizations most likely will experience demise (David et al., 2017, p. 34).

Figure 6. The diagram above illustrates the last phase of strategic management – strategy evaluation and its steps. Strategy evaluation modify the current business strategy in order to achieve more efficient and effective outcome from the business strategy (David et al., 2017, p.34).

2.4 **Strategic management tools for MSMEs**

2.4.1 Strategic business plan

The strategic business plan is a game plan for business organizations for a long-term period of time. Truly, it is hard to forecast the future but when the formal strategic business plan is created once, it has got multiples benefits for the business organization and stakeholders involved in the business activities with particular business entity. Some may argue that formal business plans are used only to seek the financial resources from the banks and investors. Nevertheless, if CEOs, MDs or entrepreneurs do not develop a formal written business plan, the lack of planning is way too much evident in the failure rate of MSMEs experience (Scarborough & Cornwall, 2019, p.202-203).

There is not an exact methodology to write a strategic business plan, as every business and business organizations are unique and differ from each other, therefore the strategic business plans can be written in multiple styles. For instance, an exemplary strategic business plan for a start-up company can be about 30 up to 65 pages in length. Nevertheless, the strategic business plan is not about its length but its elements included inside. The essential components of a strategic business plan can be as follows: First component, cover, and table of contents followed by an executive summary. The second component, the background of a business organization and members of the management team. Absolutely, the background of a firm should include vision and mission statement, industry profile, firm's profile and strategy, anticipated threats and planned opportunities and lastly members of the management team. The third component should include market analysis split into market research and assessment of the competitors. Next, the fourth component should include the description of service or product, followed by the fifth component, an explanation of how the firm plans to promote and sell its products or services. The sixth component of a strategic business plan should include financials. This section most often includes the balance sheet, income statement, and cash flow statement. Last but not least, the seventh component is appendices. Additional information such as resumes of key persons within the management team of a firm, pictures of the facilities, products, etc. (Solomon et al., 2016, p.218-223).

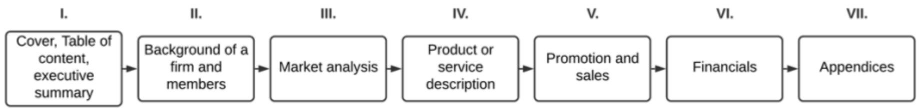


Figure 7. The diagram above illustrates the core components of the formal strategic business plan for a business organization (Solomon et al., 2016, p.219).

2.4.2 Business strategies

Business strategies and business models are inseparable elements for business organizations in order to succeed. Business model consists of components as value proposition towards stakeholders involved within particular business environment, operations and activities of a business organization which creates the value for the stakeholders, and lastly how the value can be captured with payments and revenues from stakeholders by a business organization in order to generate margin for its operations and activities which create the value for stakeholders (Johnson, Whittington, Scholes, Angwin, & Regnér, 2018, p.143-162).

Business strategies can be divided into generic or so-called competitive business strategies or interactive business strategies. A competitive business strategy includes the element of competitiveness. The purpose of a competitive business strategy is to deal with the competitive advantage of a business organization through its major activities. According to Michael Porter, competitive advantage can be established through the creation of value for the customers based on the costs or differentiation from the rivals. To sum up, a business organization can have either lower costs than its rivals, or services and products can be different from its rivals (Johnson et al., 2018, p.144-145).

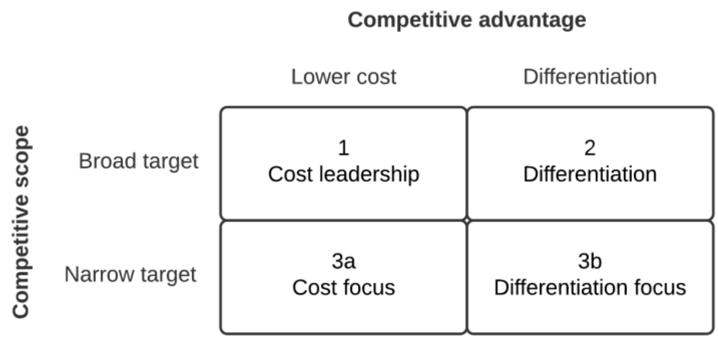


Figure 8. The framework above illustrates three generic or so-called competitive business-level strategies (Johnson et al., 2018, p.145).

Let begin with cost-leadership strategy. Cost leadership strategy means, becoming the leading business organization with the lowest costs based upon domain activities. Every single aspect which influences costs should be assessed to see if the value of the costs is in the right place. For instance, input costs, such as raw materials or labor are very often integrated by business organizations to seek competitive advantage through them. In practice, that means, many business organization shift their operations in countries with low labor and material costs. It should be noted, that impact on the costs have also service or product design. The second generic business-level strategy, also an alternative option to cost-leadership strategy is differentiation. Differentiation strategy implies a set of unique dimensions, which are sufficiently appreciated and valued from customers, to admit a price premium for a business organization. For instance, certain services or products may provide unique or exceptional features than equivalent services or products for the customers. In contrast to tangible differentiation, the differentiation strategy can be focused on the customer relationships or complementing the products or services by another product or service. Furthermore, focus strategies can be divided into two categories, cost focus strategy or differentiation focus strategy. It is also called a focus strategy because both cost and differentiation focus strategies aim for the narrow target segments among the market or industry. Cost focus strategy identifies fields where other cost-based strategies do not work due to the fact of extra costs to satisfy wider scale of the needs of customers. In the differentiation focus strategy, strategy aims for a particular need that wider differentiators, which do not serve so well. Nevertheless, the framework (Figure 9.) does not illustrate a hybrid strategy within the framework but it exists. Hybrid strategy is a combination of generic strategies or in other words, competitive business strategies merged from the cost or differentiation focus strategy or cost leadership, and differentiation. To sum up, the generic or competitive business strategies have to be(Johnson et al., 2018, p.145-151).

In contrast to the generic or competitive business strategies, interactive business strategies have to be selected and modified in the refulgence of competitors' strategies of a business organization. In case if every business organization among the same industry or market will chase for the cost leadership strategy, as a consequence of that, differentiation strategy can be very sensible. Hence, an interactive business strategy interacts with the competitors. Among interactive business strategies, there are two types of business strategies, hypercompetitive strategy, and game theory. Hyper-competition may be found among markets or industries with the constant change and disequilibrium. Therefore business organizations formulate strategy under the hypercompetitive strategy with consideration of two variables, price, and perceived quality of a product or service. Game theory strategy enables CEOs, MDs, and VPs to consider on the competitor's strategic actions such as decisions and moves while these actions, top-management applies for their own interactive business strategy (Johnson et al., 2018, p.156-158).

2.4.3 Critical question analysis

Critical question analysis (hereby in this handbook referred to as CQA) is a valuable strategic development and analyzing tool used in the strategic management process, very often in the first phase of strategic management in the identification of vision, mission, and objectives and in the internal and external audit stage. CQA in the strategic planning phase aims to answer necessary questions for top-management of a business organization. For instance, what are the core purposes, values, and goals of a business organization? Where is currently a business organization leading? In what kind of a business environment is a business organization currently operating? What can be done more effectively to achieve business organization's objectives in the future? Therefore, CQA's questions are crucial in the overall activities of a business organization and empower top-management to streamline its actions to reach the objectives and goals of a business organization (SAF International, 2017).

2.4.4 Boston consulting group matrix

Boston consulting group matrix (hereby in this handbook referred to as BCG matrix) is also called a growth-share matrix. BCG matrix is a portfolio management framework, which encourages business organizations in the decision-making process, how the business should prioritize its strategic and operational activities, products or services based on the relative market share and relative market growth. BCG matrix was founded by the founder of Boston Consulting Group, Bruce Henderson in 1968. Nowadays, the BCG matrix is a core element in teaching at business schools and more than half of the Fortune 500 companies use the framework. BCG matrix is a square consisted of four quadrants (see Figure 10.), whereas each quadrant represents a different sequence of relative market growth and relative market share. The first quadrant represents low market growth and low market share, therefore business organizations should divest or liquidate their activities, products or services. Following is the second quadrant which actually represents low market share but high market growth. As a result of being positioned in the second quadrant, business organizations should eliminate their position and either reject the activities, products, and services or invest to become the third quadrant, which depends on the chances to become the third quadrant. The third quadrant represents high market growth and high market share. Without a doubt, business organizations should invest in their activities, products or services positioned in this quadrant as the potential in the future is high. Last but not least, the fourth quadrant represents the low market growth and high market share. Therefore, business organizations should exploit from the fourth quadrant in order to reinvest either in the business activities, products or services positioned in the second or third quadrant. According to Harvard Business Review, BCG matrix is one of the twenty listed frameworks that changed the business world (Boston Consulting Group, n.d.).

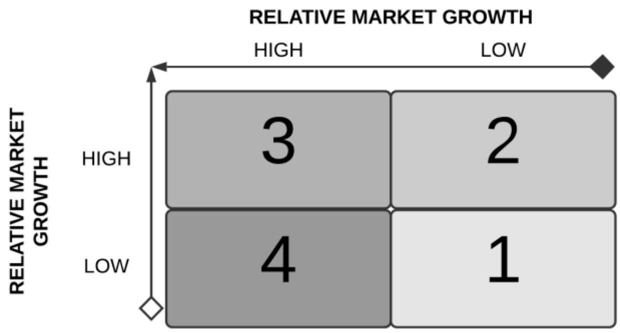


Figure 9. The framework above illustrates BCG matrix and its four quadrants (Boston Consulting Group, n.d.).

2.4.5 PESTLE analysis

PESTLE analysis is an analyzing tool in the strategic management process. Most closely interconnected with the second phase of strategic management - strategic planning, especially in the external audit stage. PESTLE or PESTEL is a name reasoned from the aspects or factors of the PESTLE analysis. The analysis model includes political (P), economic (E), social-cultural (S), technological (T), legal (L), and environmental (E) factors. First, the analysis was invented in 1964 by a professor from the Harvard Business School, Francis J. Aguilar and consisted only from the political, economic, social-cultural, and technological factors and later on the PEST got developed further by the legal and environmental factors (Frue, 2017).

The aim of the analysis is to scan macro-environmental factors and at the same time enable the top-management of a business organization to understand the external phenomena such as crucial trends, risks, and improvements in the business environment. Understanding the key trends, risks, and improvements within the business environment among political, economic, social-cultural, technological, legal, and environmental aspects are better for those who understand them than those not being aware of them, due to fact that, the business environment is under dynamic shift and constant changes all of the time (Perera, 2017, p.6).

For instance, the political environment factors may include political consequences influencing the market, industry by changes in national and governmental policies. Business activities of business organizations can be affected by changes in governmental policies such as policy of foreign trade, monetary and fiscal policy, exchange rate policy, etc. (Perera, 2017, p.8).

The economic environment factors are considered as the most significant for a business organization to succeed. Key economic factors include rates of taxes, inflation, employment, and unemployment. If the economic factors and conditions are in favor of a business organization, sustainability and growth is ensured, whereas on the other hand when the economic factors and conditions are not in favor of a business organization, then market and industry aspects like growth, investments, and survival are not attractive (Perera, 2017, p.10-11).

The social-cultural environment factors are closely interconnected with consumer and purchase behavior. Cultural aspects among business environments consist of cultural, ethical and religious values. For instance, what is considered ethical among one market or industry, definitely does not mean that it will be in compliance with ethical values among another market or industry (Perera, 2017, p.12-13).

The technological environment factors are relevant for tech-based industries and markets. Nevertheless, technology became an inseparable element in everyday business operations not only in tech-industries. Therefore, business organizations should track the updates among the markets and industries in order to follow the newest and current market trends from the technological perspective. (Perera, 2017, p.13-14).

The legal environment factors are from a strategic point of view very important in order to comply with laws, regulations, and rules. By adhering to legal rules, a business organization can build a strategic advantage towards stakeholders, partners and most importantly towards customers as the business organization is seen legally binging towards the rules (Perera, 2017, p.14-15).

Lastly, the environmental factor in this handbook is considered as a factor merged from the ecological, geographical and natural environmental aspects. Nowadays, the importance of the environmental factor is crucial due to high pressure on the global climate, sustainability risks, and negative footprints from the business actions in the environment. As a result of high waste, pollution and damage to the climate, business organizations are slowly becoming sustainable and concern about environmental and social governance became a new trend due to sustainable development and inclusive growth (Perera, 2017, p.15-16).

There are other aspects within the external environment which should be analyzed from the strategic point of view. For instance, most important is the competitive factor (see point 2.4.9 of this handbook) among the market or industry followed by the industry key factor and value drivers analysis as well as analysis of the market structure and market or industry analysis of prediction (Perera, 2017, p.17).

2.4.6 SWOT analysis

SWOT analysis is a definition for analysis abbreviated from the terms strengths, weaknesses, opportunities, and threats. SWOT is an analyzing tool used in the second phase of the strategic management process, internal and external audit, whereas strengths and weaknesses are part of the internal audit and deal with the internal capabilities, competencies, and resources in contrast to opportunities and threats which are part of the external audit, and deal with the conditions, changes, and possibilities that a business organization have in the business environment (Solomon et al., 2016, p.232).

When management and CEOs, MDs, and VPs are assessing the organization's internal weaknesses and strengths, top managers should analyze elements of the organization's internal capabilities, resources, and competencies. For instance, weaknesses or strengths of the organization's operations, finance, and human capital, or technological resources. Contrariwise, when management is assessing the organization's external opportunities and threats, top managers (CEOs, MDs, VPs) should analyze elements of the organization's external environment such as conditions, possibilities, and key factors for the business organization. Usually, external factors of the SWOT analysis, weaknesses and opportunities are derived from the PESTLE analysis aspects, industry or market analysis or, competitive forces analysis. (Solomon et al., 2016, p.232).

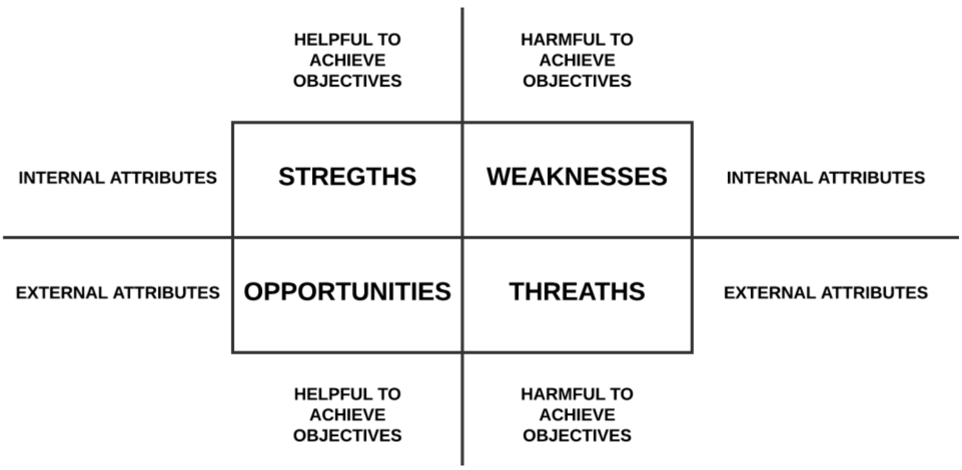


Figure 10. The diagram above illustrates the SWOT analysis and its internal attributes of a business organization and external attributes of a business environment (Solomon et al., 2016, p.233).

2.4.7 Balanced scorecard matrix

Balanced Scorecard matrix (hereby in this handbook referred to as BSC) is a strategic management tool used to plan, measure and evaluate the integrated strategy and vision of a business organization from four perspectives. In this case, CEOs, MDs, and VPs can be more efficient in the decision making process when they have access to different perspectives and aspects not only financial performance indicators and measurements. Whereas the BSC matrix consists and maps organization strategy and vision with the following perspectives: financial, internal business processes, customers, and learning-growth. If executives have access to all of those perspectives then more likely decision making and sustainable growth of a business organization's strategy is happing in a favorable manner since executives and managers can adopt both, internal and external processes towards organization’s strategic plan and follow the business organization vision (Kaplan & Norton, 1996).

BSC is very challenging to be implemented among top-management, due to the differentiation of the strategic business units. It is more efficient to implement BSC among functional and operational units (first-line, and middle management). Each perspective of the BSC matrix consists of the targets, objectives, measurements (key performance indicators, hereby in this handbook referred to as KPIs), and initiatives or in other words actions (see Figure 12.). For instance, in the customer perspective, how should a business organization appear to its customers? From a financial perspective, how should a business organization appear to its shareholders? From an internal business process perspective, how should a business organization develop internal processes in order to satisfy its shareholders and customers? Lastly, from the learning and growth perspective, how should members of a business organization improve and change in order to follow the organization's vision. To all of the above-asked questions, CEOs, MDs, and VPs of organizations need to determine initiative or action for the target and objective, which will be measured by the measurements – KPIs (Arora, 2002).

Implementation of the BSC in the strategic management process, in the strategy formulation and implementation phase, should be in the following order. First of all, talk to your employees (learning-growth perspective) and define how to achieve the organization's vision. Secondly, follow the internal business perspective, and define how to satisfy shareholders and stakeholders. Thirdly, the customer perspective, in order to achieve the organization's vision, how should a business organization look at its customers and consumers. Fourthly, the financial perspective, if a business organization will succeed, how should it appear to its shareholders. In the strategy evaluation phase, when BSC and its perspectives are under review, the order should be as follows. Firstly, the financial perspective, what was the financial outcome of a vision? Secondly, the customer perspective, how many customers a business organization was able to retain and acquire? Thirdly, the internal business processes perspective, there a business organization should include measurements (KPIs) regarding the operational development and innovation processes towards the market or industry. Fourthly, the learning and growth perspective, what skills among employees should be developed in order to achieve strategic objectives? (Kaplan et al., 1996).

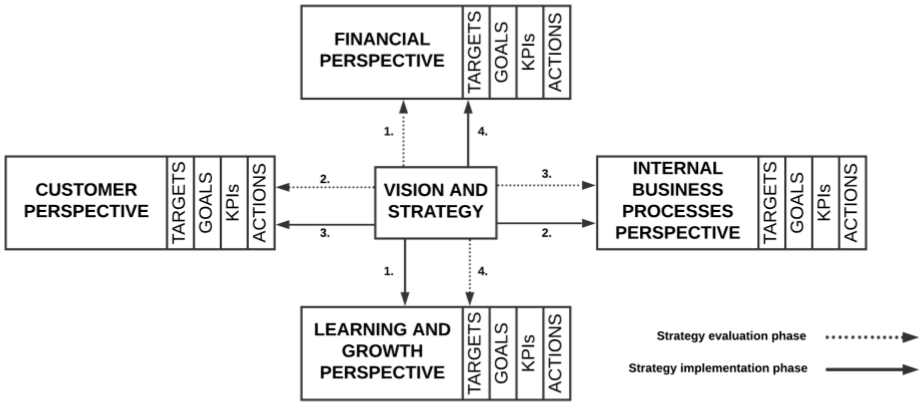


Figure 11. The framework above illustrates the BSC matrix and its perspectives, whereas arrows characterize the order of the strategy implementation and evaluation phase (Kaplan et al., 1996).

2.4.8 VRIO analysis

VRIO analysis is a definition for analysis abbreviated from the terms value, rarity, inimitability, and organization's support. VRIO is an analyzing tool used in the second phase of the strategic management process, exactly in the internal and external audit stage to diagnose a business organization's resources and capabilities to answer if the organization has a competitive advantage and if it has, what kind of? If the capabilities and resources of a business organization are not understood by top-managers, there might be threats, risks, and dangers that can take the wrong direction of the top-managers actions. Therefore, the VRIO analysis helps top-managers to assess what, and how the degree of a business organization's capabilities and resources are valuable, rare, inimitable, and encouraged by the business organization. Competitive implications in a business context are based upon competitive advantage when capabilities and resources meet all four criteria of a VRIO analysis, it is called sustained competitive advantage. The VRIO analysis can be implemented for different activities, functions, or departments of a business organization. For instance, for the marketing activities, manufacturing machinery, technology, finance or human capital. (Johnson et al., 2017, p.107).

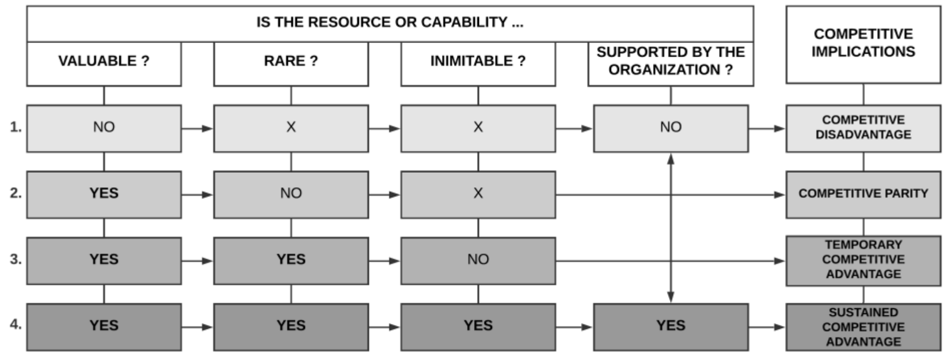


Figure 12. The framework above illustrates VRIO analysis and its four competitive implications based upon value, rarity, inimitability, and organization's support of the capabilities and resources (Johnson et al., 2017, p.108).

2.4.9 Porter’s five forces model

Porter's five forces model (hereby in this handbook referred to as P5Fs) was designed by Michael E. Porter and published the first time in Harvard Business Review in 1979, which led to a revolutionary change of approach towards strategy in various business fields. The P5Fs model has shaped the generation of business practices and academic practices in the research field. Essentially, the job of CEOs, MDs, and VPs is to be aware and understand the scope of the rivals and competitors in order to succeed among the markets or industries. Top-management defines competition in the business environment very narrowly, competition does not consist of direct competitors and rivals but also indirect competitive forces (see Figure 14.). The competitive forces, which shape the industry in which a business organization operates are first of all existing rivalry among competitors followed by the threats of new entrants, and threats of the substitution of products or services within the industry. In addition to that, another two competitive forces, which shape the industry in which a business organization operates is the power of bargaining from the buyers and suppliers' perspective (Porter, 2008).

The first competitive force, existing rivalry among competitors, takes numerous familiar structures, including cost limitation, new products or services presentations, publicizing efforts, and administration upgrades. High competition restricts the productivity of an industry and market. How much the competition drives down an industry's benefit potential depends, first of all, on the power with which a business organization competes and, second, on the premise on which a business organization competes (Porter, 2008).

The second competitive force is the bargaining power of suppliers, smart suppliers are able to capture extra value for themselves by accounting additional fees, rising the original prices, limiting the quantity and quality of services or products (Porter, 2008).

The third competitive force is the bargaining power of buyers, smart customers are on the other side of the suppliers, are able to capture extra value for themselves by pushing prices down, requiring better quality or more quantity of products or services (raising-up costs), and generally reform industry or market organizations against each another (Porter, 2008).

The fourth competitive force is the threat of new entrants among the market or industry. For instance, new business organizations, start-ups, firms from a foreign country or companies from related industries or markets may earn a market share. Therefore, top-managers must be wise, creative and strategically oriented in order to slow down the entrance but in the best case prevent the industry or market from the possible entrance of new competitors (Porter, 2008).

Last but not least, the fifth competitive force within the P5Fs model is the threat of substitution. From time to time, the threat of substitution represents downstream, when a substitute service or product replaces a buyer industry's service or product. Substitutes are regularly present among the industry or market, sometimes stakeholders overlook them because they manifest to be extremely contrasting from the industry's service or product (Porter, 2008).

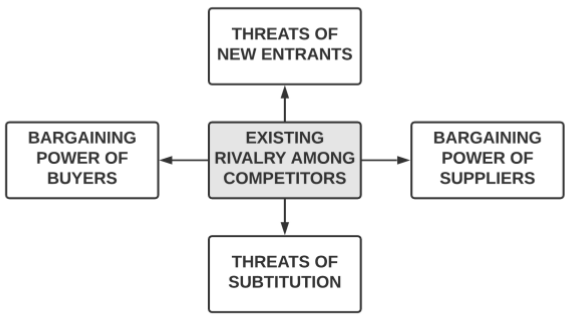


Figure 13. The diagram above illustrates the P5Fs model and its competitive forces among industry or market (Porter, 2008).

3 CURRENT SITUATION

3.1 MSMEs in Slovakia

3.1.1 Definition of MSMEs in Slovakia

According to the European Commission (n.d.) MSMEs in Slovakia are defined in the recommendation of the EU 2003/361. In order to help stakeholders understand the definition of MSMEs, there are two principles – factors, based upon which business entity can be determined either as a micro, small or medium-sized enterprise. On the condition that enterprise is defined as MSME depends on the headcount of staff and either on the total balance sheet or turnover for particular fiscal year. A company falls within a particular category if it has the relevant number of employees (the main criterion) and meets at least one ancillary criterion, annual turnover or annual balance sheet total (European Commission, n.d.).

Table 2. The table below illustrates the definition of a firm category among MSMEs in Slovakia (European Commission, n.d.).

Enterprise category	*Staff headcount*	*Turnover*	*OR*	*Balance sheet total*
Micro-sized	< 10	≤ 2 mil. €	OR	≤ 2 mil. €
Small-sized	< 50	≤ 10 mil. €	OR	≤ 10 mil. €
Medium-sized	< 250	≤ 50 mil. €	OR	≤ 43 mil. €

3.1.2 Performance overview of MSMEs in Slovakia in 2019

According to the European Commission (2020), in 2019 MSMEs in Slovakia accounted for 99.9% of all the enterprises. This percentage represents particularly 474.708 business entities in segment of MSMEs. With this in mind, the amount of MSMEs in comparison with the population of the Slovak Republic represents the fact that almost every eleventh person is a CEO or MD of MSME in Slovakia. In the segment of micro-sized enterprises evidence shows exactly 461.961 business entities of micro-sized enterprises. Following that, small-sized enterprises account for 10.492 business entities and lastly, medium-sized enterprises account for 2.255 business entities. The proportion or so-called share rate of MSMEs and its segments in 2019 was following: micro-sized enterprises 97.2% of all enterprises, small-sized enterprises 2.2% of all enterprises and medium-sized enterprises 0.5% of all enterprises. In comparison with average share of the EU, micro-sized enterprises in 2019 were above the average of the EU in contrast to small and medium-sized enterprises which were below the average of the EU (European Commission, 2020, p.2).

Employment forms a significant part of MSMEs to sustain economic progress. Currently, Slovakia is highly dependent on the car manufacturing industry, which is oriented on the export and owned by foreign investors. Therefore, MSMEs in Slovakia have to make a crucial shift from the current stage – high dependence on the export towards robust integration in in-house digitalization and innovation as well in global value chains. In 2019, MSMEs in Slovakia employed approximately 20% of the country's population, particularly 1.183.736 people, which is 6.1% above average of the EU. In contrast to large-sized enterprises, which employed roughly 10% of the total population of Slovakia and the employment rate was 6.1% below the average of the EU. In segment of micro-sized enterprises, the employment share rate in Slovakia in 2019 was 43.4% of the total employment in the Slovak Republic, which was more than 13% above average of the micro-sized enterprises in the EU. As a result of 43.4% of the total employment within micro-sized enterprises in Slovakia, 706.361 people held jobs in segment of micro-sized enterprises. In segment of small-sized enterprises, the employment share rate in the Slovak Republic in 2019 was 14% of the total employment in Slovakia, which was roughly 6% below the average of the small-sized enterprises in the EU. As a result of 14% of the total employment within small-sized enterprises in Slovakia in 2019, 227.929 people were employed in segment of small-sized enterprises. Lastly, in segment of medium-sized enterprises, the employment share rate in Slovakia in 2019 was 15.3% of the total employment in Slovakia, which is almost the same as the average of the EU which was 16% in 2019. As a result of 15.3% of the total employment within medium-sized enterprises in Slovakia in 2019, 249.446 people held jobs in segment of medium-sized enterprises (European Commission, 2020, p.2).

Value-added or economic added value abbreviated as -EVA- is a significant economic indicator that reflects on the management performance in terms of profitability of the business entity or project. Value-added from the segment of MSMEs in Slovakia in 2019 was 21.7 billion euros and the total value-added share of MSMEs in Slovakia was 55.1%, which is slightly below the EU average of 56.4%. In contrast to large-sized enterprises' value-added which account for 521 business entities, generated 17.7 billion euros in 2019. Particularly, in the segment of micro-sized enterprises value added in 2019 was 9.9 billion euros, which was 25% of the total value added in Slovakia. In comparison with the EU's average of the value-added in the segment of micro-sized enterprises, Slovakia was roughly 5% above the average of the value-added in the segment of micro-sized enterprises. Following that, the segment of small-sized enterprises in 2019 generated value-added of 5.2 billion euros, which was 13.2% of the total value added in Slovakia. In contrast to the EU's average of the value-added in the segment of small-sized enterprises, Slovakia was more than 4% below the average of the small-sized enterprises in the EU. Lastly, in segment of medium-sized enterprises value added in 2019 was 6.7 billion euros, which was 16.9% of the total value added in Slovakia. In contrast to the EU's average of the value-added in segment of medium-sized enterprises, Slovakia was lacking 1.1% below the average of value-added within the medium-sized enterprises in the EU (European Commission, 2020, p.2).

3.1.3 Birth and death rate of MSMEs in Slovakia

Over the last decade, the overall development of MSMEs in the MSME segment has been fluctuating. While in the 2008, the number of newly formed MSMEs reached 66.438 business entities, in 2009, due to the financial crisis, there was a significant decrease of 10.855 business entities (or 16.3%). After the financial crisis, MSMEs began to recover slowly. In the year of 2018, 78.075 MSMEs were established, which is the highest amount in the last 11 years from the evidence. From the comparison of year 2017 to the year 2018, the number of established MSMEs increased by 12,671 business entities which equals to 19.3% (Slovak Business Agency, 2019, p.16).

Table 3. The table below illustrates the amount of established enterprises based on size category in Slovakia from the year 2008 to the year 2018 (Slovak Business Agency, 2019, p.16).

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Micro	65 936	55 441	60 431	64 822	61 596	72 943	58 957	52 552	58 704	65 228	77 842
Small	486	128	96	91	97	51	50	79	119	163	216
Medium	16	14	13	11	8	12	10	15	15	13	17
TOTAL	**66 438**	**55 583**	**60 540**	**64 924**	**61 701**	**73 006**	**59 017**	**52 646**	**58 838**	**65 404**	**78 075**

Table 4. The table below illustrates the establishment index of MSMEs in Slovakia from the year 2017 to year 2018 according to the industrial sector (Slovak Business Agency, 2019, p.21).

INDUSTRY	2017	2018	Index 18/17	Change
Agriculture	2 669	3 097	1,160	↑ 16,0 %
Industrial	10 176	11 687	1,148	↑ 14,8 %
Construction	14 814	18 262	1,233	↑ 23,3 %
Trade	5 237	6 100	1,165	↑ 16,5 %
Transportation & ICT	6 715	7 672	1,143	↑ 14,3 %
Hospitality	1 809	2 145	1,186	↑ 18,6 %
Trade services	19 103	23 618	1,236	↑ 23,6 %
Other services	4 881	5 494	1,126	↑ 12,6 %
TOTAL	**65 404**	**78 075**	**1,194**	↑ **19,4 %**

The evolution of the liquidity of MSMEs in the long-term horizon 2008–2018 had an increasing tendency. From 2008 to 2013, the number of deaths among business entities per annum has increased. In 2018 there were 52.168 MSMEs liquidated, in comparison to the year 2017 it was less by 431 enterprises (Slovak Business Agency, 2019, p.34).

Table 5. The table below illustrates the number of established and liquidated MSMEs in Slovakia with respect to the net growth from the year 2008 to 2018 (Slovak Business Agency, 2019, p.34).

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Established	66 438	55 583	60 540	64 924	61 701	73 006	59 017	52 646	58 838	65 404	78 075
Liquidated	37 967	47 424	49 747	55 312	54 986	68 031	55 906	42 938	53 868	52 599	52 168
NET GROWTH	**28 471**	**8 159**	**10 793**	**9 612**	**6 715**	**4 975**	**3 111**	**9 708**	**4 970**	**12 805**	**25 907**

3.2 **Business environment in Slovakia**

3.2.1 Economic development overview of Slovakia

The evidence regarding the sectoral changes in the employment of Slovakia, was elaborated in late 2018 by Karol Morvay (2018). Overall share of the employment by sectors in Slovakia in 2018 was as follows; share of agricultural sector in the total employment of the Slovak Republic was 3%, whereas the absolute change from the fiscal year 2017 to the fiscal year 2018 accounted a loss of 450 workers.

Furthermore, the share of the industrial sector in the total employment of the Slovak Republic was 24.4%, of which, manufacturing represented 22.3% of the total employment in the Slovak Republic. As a result of absolute change from the fiscal year 2017 to the fiscal year 2018, the industrial sector registered a growth of 13.250 workers, out of which manufacturing represented 11.250 workers. Beyond that, the share of the construction sector in the total employment of the Slovak Republic was 7.3%, which represented growth in the absolute change from the fiscal year 2017 to the fiscal year 2018 by 6.660 new workers in the construction sector (Karol Morvay et al., 2018, p.25).

Additionally, the share of trade, transportation, and accommodation sector in the total employment of Slovakia was 26.4%, whereas the absolute change from the fiscal year 2017 to the fiscal year 2018 has registered growth of 12.940 workers. In addition to that, the share of information and communication sector in the total employment of Slovakia in 2018 was only 2.9%, whereas the sector registered new 1.930 workers in the absolute change from the fiscal year 2017 to the fiscal year 2018 (Karol Morvay et al., 2018, p.25).

Particularly, share of financial and insurance services sector, and real estate sector represented in the total employment of the Slovak Republic the least shares. Whereas, the financial and insurance services sector's share was only 1.9% out of the total employment in Slovakia, and the real estate sector's share was only 1.1% out of the total employment in Slovakia. Hence, financial and insurance services sector registered growth in absolute change from the fiscal year 2017 to the fiscal year 2018 of only 70 new workers within the sector, whereas contrary to real estate sector, which registered a loss in absolute change from the fiscal year 2017 to the fiscal year 2018 by 710 workers (Karol Morvay et al., 2018, p.25).

Beyond that, the share of the professional services sector in the total employment of the Slovak Republic was 10.3%, whereas the absolute change of the employment from the fiscal year 2017 to the fiscal year 2018 registered growth of 7.170 new workers within the sector. Last but not least, share of the public services sector in the total employment in Slovakia in 2018 was 19.9%, and as consequence of the absolute change in the employment from the fiscal year 2017 to the fiscal year 2018, sector has registered growth of 6.250 new workers within the public services sector (Karol Morvay et al., 2018, p.25).

3.2.2 Legislation and business regulations changes in Slovakia in 2019

In 2019 National Council of the Slovak Republic has adopted several changes in laws affecting the business environment. As of December 2019, 454 generally binding legal regulations were published in the collection of laws, of which 150 new laws, including constitutional and 103 amendments (Slovak Chamber of Commerce and Industry, 2020, p.7-9).

Author of this handbook selected and listed below four most relevant changes in legislation, which may influence operations and business activities of MSMEs in Slovakia in upcoming years from a strategic point of view.

To begin with, the most impactful change was in article IV as amended by Act no. 289/2008 Collection of laws, on the use of the electronic cash register and the amendment of the National Council of the Slovak Republic Act no. 511/1992 Collection of laws, including procedure on the administration of taxes and payments and changes in the system of territorial financial authorities, as amended the procedure for certification of the cash register program and the repository, the procedure for certification of the electronic cash register and the conditions of use of the electronic cash register and the cash register for the collection of revenues in the territory of the Slovak Republic are regulated (Slovak Chamber of Commerce and Industry, 2020, p.7-9).

The second relevant legislation change was in Act no. 363/2019 Collection of laws, which amended and supplemented Act no. 431/2002 Collection of laws about accounting as amended. As a result of amending from paragraph §19, letter (a), in the company, the condition of compulsory capital formation is deleted, and from January 1st, 2020, there is an obligation for companies considered as a public company and limited partnership to verify regular and extraordinary financial statements (Slovak Chamber of Commerce and Industry, 2020, p.7-9).

Following that, the third substantial change was in Act no. 112/2019 Collection of laws, amending and supplementing Act of the National Council of the Slovak Republic no. 18/1996 Collection of laws, on prices, as amended. As a consequence of that, the definition 'reasonable profit' is replaced by the definition 'profit margin' (Slovak Chamber of Commerce and Industry, 2020, p.7-9).

Last but not least, change was evident in Act no. 380/2019 Collection of laws, amending the Act no. 311/2001 Collection of laws, labour code as amended. As a consequence of that, the basic amount of leave from the job is adjusted - the leave of an employee who is at least 33 years of age by the end of the relevant calendar year and the employee who is permanently looking after the child, is at least five weeks. (Slovak Chamber of Commerce and Industry, 2020, p.7-9).

4 CONDUCTING EMPIRICAL RESEARCH AND ANALYSIS

In the introduction part, author of this handbook introduced the primary research question. However, it should be noted that in addition to the primary research question, the second spectrum consists of questions related to the primary research question which leads to more open questions. The purpose of these open questions is to help the author examine the difference and reasons for using specific strategic management tools by CEOs among the segment of MSMEs. Therefore the questions are as follows: What is the different level in the integration of strategic management tools by CEOs among MSME segments in Slovakia? What are the reasons for the integration of specific strategic management tools among MSMEs in Slovakia?

4.1 Empirical research method

In the empirical research method, the author conducted the methodology of the survey. The methodology of conducting survey is in other words, finding the facts of the research study. This research method involves the collection of information and data through a questionnaire (see Appendix 1.) from a sample population within a particular time. The survey research method cannot be considered as regular routine of administration work of gathering and tabulating data. The method of conducting a survey requires advanced and creative planning, attentive analysis and lastly, sensible interpretation of the findings among the questionnaire. It is important to conduct a valuable and reasonable questionnaires in order to collect the relevant data to answer the research question and achieve the research objectives. (Krishnaswami et al., 2010, p.15).

4.2 Validity and reliability

The issues of the research concerning the validity and reliability of the data collected within this handbook – bachelor thesis, have to be confronted accurately.

The definition of validity, in other words, novelty or originality within the research process refers to the responsible evaluation of the resources integrated for the data collection procedure among this handbook. According to Krishnaswami et al. (2010, p.28), the research phenomenon should have validity. Sometimes, it is necessary and appropriate for the research process to be verified in order to confirm the validity of the findings.

The definition of reliability, in other words, dependability or credibility within the research process depends on the quality of data integrated among the research study. For instance, if the research study observed only a single object, the results, and findings of the research study do not provide credible facts. As a consequence of that, an author of the research study should address the limitations within the research study. In this handbook, please see the statement of limitations in point 5.1 of this handbook (Krishnaswami et al., 2010, p.28).

In this handbook, 20 respondents, only CEOs, MDs, VPs from the segment of MSMEs in Slovakia are the primary sources of this bachelor thesis (See Table 6.). Each of the respondents have got an entrepreneurial background and contributed to business environment within the last 5 years. Responses regarding the past performance of the business organizations such as financial indicators and the real position of the respondent as CEO, MD, or VP were verified through the trade register of the government of the Slovak Republic and database so called Finstat, which provide financial and legal information on companies registered and operating in Slovakia.

4.3 Data collection

The process of data collection consists of the precise questioning for data in order to answer the research question, achieve the research objectives by using the most appropriate research method and approach towards the research phenomenon. In other word, data are considered as materials, facts, and inputs which serves the author as core bases for the research study and analysis. Data can be collected presently or based upon past performance (Krishnaswami et al., 2010, p.84).

Author of this handbook, implemented primary and secondary data collection methods. In the introduction, and the theoretical framework followed by the current situation part, in this bachelor were implemented secondary data collection method. Multiple academic journals, books, and publications from scholars and institutions were extracted to provide a clear picture of strategy in the business context, strategic management and current performance of MSMEs in Slovakia from the strategic point of view. In contrast to the secondary data collection method, the author implemented the primary data collection method in empirical research method. Primary data of this bachelor thesis were collected throughout the quantitative research method, particularly via survey.

Altogether, the survey of this handbook (see Appendix 1.), consisted of 16 questions. Whereas, open questions, multiple-choice questions, ranking questions, and lastly selecting answers questions were implemented within the survey. The purpose of that was to provide the author a diverse and wide range of answers in order to assess the responses from various angles.

The administration of the survey was elaborated in collaboration with the commissioning company, supervisor and author of this bachelor thesis.

4.4 Data analysis

There is a variety of patterns to analyse primary and secondary data in the research process. The analysis of primary and secondary data is a significant aspect of research design. Nevertheless, primary data should comply with the ability to answer the primary research question and achieve the stated research objectives. The effectiveness of primary data analysis highly depends on the data collection method (Adams, Khan, & Raeside, 2014, p.92).

Hereby, the author conducted the statistical analysis, exactly descriptive quantitative data analysis, ANOVA statistical test, and test of homogenity of variances with the help of software usage. There are several advantages of conducting statistical analysis in the research practices. The major advatage is that statistical analysis reduce mass of data into understandable and meaningful forms. The analysis of data according to Krishnaswami et al. (2010, p.160), is the most expertise task in the research process.

Descriptive quantitative analysis belongs to the descriptive statistical methodology. The descriptive statistics method help parties involved to sum up and understand the data. The summary of descriptive quantitative analysis can be represented either by chart form or tabulation. Both of these useful tools are being integrated into this handbook (See Appendices 2-6.), whereas the results and findings are discussed in point 5.2 of this handbook (Adams et al., 2014, p.171).

The ANOVA statistical test was applied to calculate two estimates of the variance of population distribution; variance between MSMEs in Slovakia and the variance within the MSMEs in Slovakia. The variance between the samples is in other words the mean square between samples (Mann, 2010, p.545).

Test of homogenity of varience was implemented with aim to provide independent samples for ANOVA test. Whereas without the independent samples, in this case strategic initiatives could not be compared within the company category or among the MSMEs as a whole (Mann, p.545).

Data analyzed in this handbook were extracted from the survey. Harmonization was the key point of the author to keep the surveys comparable between each other.

According to Adams et al., (2014, p.126) harmonization is the process when questions within the survey remain the same, so questions and answers of the respondents can be compared. In addition to that, utilizing a survey method with harmonization practices helps to save time and minimize the costs for the research projects.

Table 6. The table below represents the test of independent samples -strategic initiatives- among MSMEs in Slovakia.

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Vision	.321	2	17	.730
Mision	.682	2	17	.519
Objectives	4.910	2	17	.021
Sustainable Development	1.527	2	17	.245
Inclusive Growth	.507	2	17	.611
Financial Growth	1.092	2	17	.358
Internationalization	1.586	2	17	.234
Customer Relationship	2.143	2	17	.148
Employees Development	.238	2	17	.791
Internal Business Processes	.241	2	17	.789

SOURCE: Author's own work

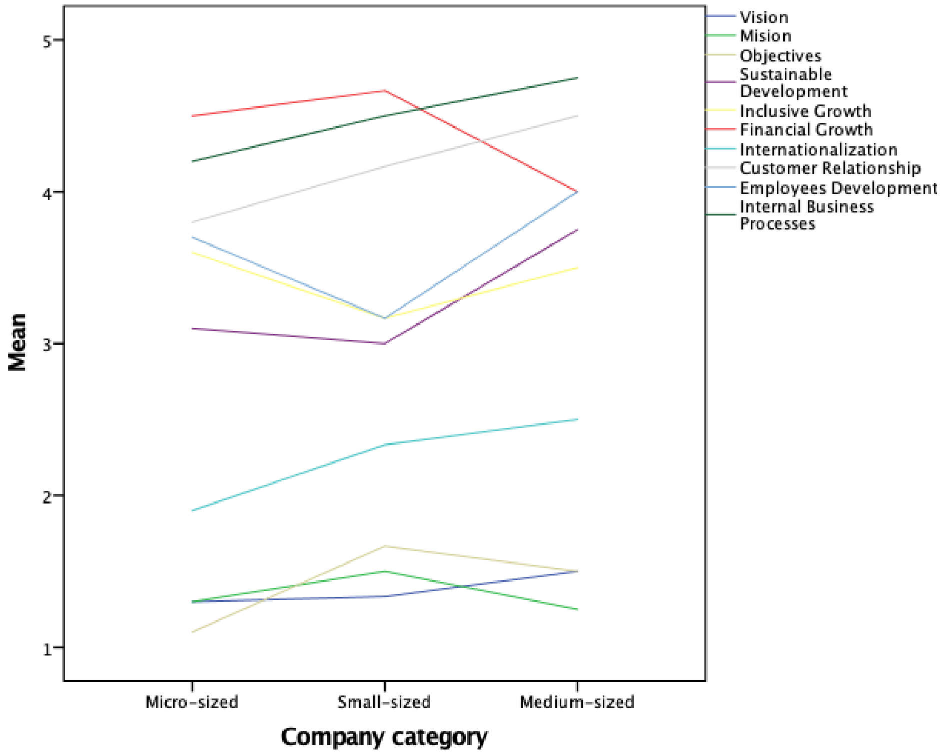
Table 7. The table below represents the test ANOVA and variance within and between the MSME segments.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Vision	Between Groups	.117	2	.058	.224	.802
	Within Groups	4.433	17	.261		
	Total	4.550	19			
Mision	Between Groups	.200	2	.100	.391	.682
	Within Groups	4.350	17	.256		
	Total	4.550	19			
Objectives	Between Groups	1.317	2	.658	3.461	.055
	Within Groups	3.233	17	.190		
	Total	4.550	19			
Sustainable Development	Between Groups	1.550	2	.775	.670	.524
	Within Groups	19.650	17	1.156		
	Total	21.200	19			

Inclusive Growth	Between Groups	.717	2	.358	.334	.721
	Within Groups	18.233	17	1.073		
	Total	18.950	19			
Financial Growth	Between Groups	1.117	2	.558	.686	.517
	Within Groups	13.833	17	.814		
	Total	14.950	19			
Internationalization	Between Groups	1.317	2	.658	.337	.719
	Within Groups	33.233	17	1.955		
	Total	34.550	19			
Customer Relationship	Between Groups	1.517	2	.758	1.734	.206
	Within Groups	7.433	17	.437		
	Total	8.950	19			
Employees Development	Between Groups	1.867	2	.933	.758	.484
	Within Groups	20.933	17	1.231		
	Total	22.800	19			
Internal Business Processes	Between Groups	.950	2	.475	1.380	.278
	Within Groups	5.850	17	.344		
	Total	6.800	19			

SOURCE: Author’s own work



SOURCE: Author’s own work

Figure 14. The chart above illustrates current strategic initiatives among MSMEs in Slovakia. Vision, mision and objectives where ranked from 1 to 2, whereas 1 stands for present in the firm, and 2 stands for absent in the firm. Rest of the strategic initiatives were ranked from 1 to 5, whereas 1 stands for none highlight within the company, and 5 stands for strong highlight within the company.

5 CONCLUSION

5.1 Statement of limitations

This handbook has several limitations. As the handbook is conducted as a project of a bachelor thesis, there were significant limitations from the beginning of the project, which must be addressed clearly.

First and the foremost, the time period for the collection of relevant primary data was too short. In contrast to secondary data, used mostly in the theoretical framework, there was an adequate period of time for collecting relevant data but the author was in lack of access to few key academic resources such as publications, journals, and books.

The second limitation, from the total amount of MSMEs in Slovakia, the author had the chance to gather only 20 responses from the survey. Therefore, the analysis of the results and findings cannot be considered objectively, as the sample of the research is only 20 CEOs, MDs, VPs from the total amount of 474.708 MSME representatives in the Slovak Republic (See Table 8.).

The most relevant limitation during the research process was the reliability of the CEO's answers. First of all, most of the CEOs responded in the survey without the trust. That could lead to the spread of distorted or even incomplete answers. For instance, part of the CEOs were not totally familiar with some of the strategic management tools integrated into the survey.

Last but not least, the lack of numerous previous research studies regarding the usage of strategic management tools by CEOs within MSMEs in Slovakia is a disadvantageous and limited the research work process.

Table 8. The table below illustrates respondents from the survey with segmentation among economic sectors and MSME segments with staff headcount as the main criterion, and revenues in fiscal year 2019 as side criterion.

	Enterprise segment / Staff headcount in 2019 / Revenues in 2019					
	Micro-sized	Small-sized			Medium-sized	
	< 10	< 50			< 250	
Economic Sector	< 2 mil. €	< 2 mil. €	< 10 mil. €	< 50 mil. €	< 10 mil. €	< 50 mil. €
Industrial	3	1	1	1		1
Services and Trade	7	1	2		1	2

Number of Records
1 7

Source: Author's own work

5.2 Results and findings

The primary research question to be examined was to find out what are the most common strategic management tools used by CEOs among MSMEs in Slovakia. More open questions related to the primary research question were to find out what is the different level in the integration of strategic management tools by CEOs among MSME segments in Slovakia, and what are the reasons for the integration of specific strategic management tools among MSMEs in Slovakia.

The most common strategic management tools used or integrated by CEOs among particular MSME segments in Slovakia are listed in Appendix 5. Usage in percentage of the strategic management tools among the particular segment was calculated only among its sized segment, not in correlation with the MSMEs. On the other hand, the total usage or popularity of strategic management tools among MSMEs is listed in Appendix 6. The popularity rate was calculated with number of integration of the specific strategic management tool divided by the amount of respondents.

An interesting fact is that SWOT analysis was used by CEOs among every size of enterprises, therefore, SWOT analysis is placed in the first place with 100% of popularity in the integration of the strategic management tool.

PESTLE analysis was used in every enterprise except 1 respondent in the micro-sized enterprise, this leads PESTLE analysis on the second place with 95% of popularity in usage of the tool.

On the third place, the BCG matrix was integrated in 70% among micro-sized enterprises, 83.3% among small-sized segment, and 100% among the medium-sized segment, which gives the total popularity rate of the tool among MSMEs 80%.

The fourth most common strategic management tools being used by CEOs among MSMEs were specific business strategy and VRIO analysis with 65% total popularity rate of usage among MSMEs.

The fifth place was commonly shared among BSC and formal strategic business plan with a 50% total popularity rate of usage among MSMEs in Slovakia. Radical deviation among segments is visible in the usage of BSC and formal strategic business plan. BSC was integrated into a micro-sized segment by 20% only, whereas in the medium-sized segment 3 out of 4 respondents integrated BSC.

Another interesting fact is that a formal strategic business plan was integrated into medium-sized enterprises with 100% integration rate, whereas in the micro-sized enterprises only 20% of respondents integrated formal strategic business plan.

Table 9. The table below illustrates the time horizon for the strategic planning process among MSMEs in Slovakia from the CEO's, MD's, or VP's perspective.

	Enterprise segment		
Time Horizon	Micro-sized	Small-sized	Medium-sized
< 1 year	7		
< 2 years	3	3	1
< 3 years		1	2
< 4 years		2	
< 5 years			1

Count of Enterprise seg.. 1 – 7

Source: Author's own work

The difference level in the integration of the strategic management tools is observable in five strategic management tools. SWOT, PESTLE and BCG matrix is more or less common to be integrated among all MSME segments in the Slovak Republic.

In the medium-sized enterprises, P5Fs and formal strategic business plan are being used more than in any other MSME segment. In the small-sized enterprises, BSC, CQA, and specific business strategy are being used more than in any other MSME segment. Lastly, in micro-sized enterprises, VRIO was the only strategic management tool being used more than in any other MSME segment.

Usage of VRIO especially in micro-sized enterprises may be caused by the high competition among the micro-sized segment as the total amount of micro-sized enterprises was 461.961 in 2019 and VRIO analysis serves to analyse the competitive advantage (European Commission, 2020, p.2).

As the reason for the integration of the strategic management tools is hereby described in two scales. The first scale is the current strategic initiatives which currently CEOs, MDs, and VPs employ within the firm (See Appendix 2.). The second scale is the reason for developing a specific strategic management tool, in this handbook author decided to figure out the reason for developing a formal strategic business plan among MSMEs in Slovakia (See Appendix 3.).

The current strategic initiatives were scaled by respondents from 1 to 5, whereas the 5 stands for strong highlight and 1 stands for none highlight within the firm. Among the micro-sized enterprise segment, in the average, the top three current strategic initiatives were as follows; 1. financial growth (average among the segment 4.5), 2. internal business processes (average among the segment 4.2), 3. customer relationship (average among the segment 3.8).

Among the small-sized enterprise segment, in the average, the top three current strategic initiatives were as follows; 1. financial growth (average among the segment 4.67), 2. internal business processes (average among the segment 4.5), 3. customer relationship (average among the segment 4.2), exactly the same order with deviating average grades as micro-sized enterprise segment.

Lastly, in the medium-sized enterprise segment, in the average, the top three current strategic initiatives were as follows; 1. internal business processes (average among the segment 4.75), 2. customer relationship (average among the segment 4.5), 3. employee development -learning and growth- and financial growth (average among the segment 4).

The formal strategic business plan was the fifth-most popular strategic management tool being used among MSMEs. However, the difference among the MSME segments is radical (See Appendix 3.) In the micro-sized enterprise segment, 20% of the CEOs developed formal strategic business plan based upon their own initiative. In the small-sized enterprise segment, 66.67% of the CEOs developed formal strategic business plan, whereas in 75% it was required from the bank or investor, and 25% was developed based upon the own initiative. In the medium-sized enterprise segment, 100% of the CEOs developed the formal strategic business plan, whereas in 50% it was a legislative requirement and 50% was developed based upon their own initiative.

Among MSMEs in the Slovak Republic, internal awareness of the firm's vision, mission, and strategic business objectives are defined in Appendix 4. From 20 surveyed MSMEs, 7 are aware of its vision, mission, and strategic business objective, in contrast to 1 enterprise not being aware of any of these aspects.

5.3 Recommendations

The structure of this handbook consist of six sections. The first section is the introduction part where the author of this research study introduced the background of the research topic, research questions, and objectives. The second section is a theoretical framework where the author of this research study presents the most relevant theory regarding strategic management practices, processes, techniques, and tools. The third section is related to the current situation of MSMEs and the business environment, particularly in Slovakia. The fourth section consists of an empirical research method and its validity, reliability, data collection and analysis methods. The fifth section consists of the conclusion including the statement of limitations, results and findings of the empirical research study. Lastly, the sixth section represents the appendices of this research study including the survey and its results in tabulation and chart forms. As a consequence of that, the handbook was conducted in this order as the research study aims to be served as handbook for CEOs and high-profile representatives of MSMEs in Slovakia.

For future and current CEOs of MSMEs in Slovakia, especially if their knowledge of the management practices is at a lower level, it is absolutely common to be not familiar with the strategic management tools. This means that many of the company representatives used some and not all of the strategic management tools, but since the whole MSMEs' topic and the strategic management practices and tools are not well known among the CEOs of MSMEs in Slovakia, many of the surveyed CEOs were confused with the responses because they were not familiar with all of the definitions. This made collection of data even more difficult. Therefore, the top-managers such as CEOs, MDs, VPs, and high-profile company representatives, especially in the start-up stage or establishment of their own business should deepen their knowledge in the field of strategic management practices and its tools in order to sustain the economic growth of their businesses.

Further research regarding the topic of strategic management tools used by CEOs among MSMEs in Slovakia and elsewhere has to be done regularly and deepened in researches around the world as the MSMEs are considered as the backbone of the European economy. For further research on this topic, if taking this handbook as a basis for further applications, it will be necessary to remember all of the mentioned limitations in the statement of limitations (Point 5.1), that the author has faced during the research process. As a result, the reliability of the current research is not the strongest in several parts.

To conclude, it is important to point out that the usage, integration, and application of strategic management tools among MSMEs in Slovakia from the management perspective may vary from person to person, industry to industry and market to market. The most significant aspect of the usage of strategic management tools among top-management is proper understating and knowledge of the particular strategic management tools in order to use them effectively.

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APPENDICES

Appendix 1

QUESTIONNAIRE – SURVEY FOR CEOs AMONG MSMEs IN SLOVAKIA (page 1.)

SURVEY FOR CHIEF EXECUTIVE OFFICERS AMONG MSMEs IN SLOVAKIA

NAME OF COMPANY:...
BUSINESS IDENTIFICATION NUMBER:..
NAME OF CHIEF EXECUTIVE OFFICER:...

1. **Define amount (N) of employees within the firm in fiscal year - 2019:**
   - ☐ 10 > N
   - ☐ 50 > N
   - ☐ 250 > N
2. **State volume (N) of revenues in fiscal year 2019:**
   - ☐ N ≤ 50 million of Euros
   - ☐ N ≤ 10 million of Euros
   - ☐ N ≤ 2 million of Euros
3. **Define economic sector in which your firm operates:**
   - ☐ Agriculture sector
   - ☐ Industrial sector
   - ☐ Services and trade sector
4. **Does your firm knows its vision – business intention?**
   - ☐ Yes
   - ☐ No
5. **Does your firm knows why it exist?**
   - ☐ Yes
   - ☐ No
6. **Does your firm knows what it tries to achieve?**
   - ☐ Yes
   - ☐ No
7. **Have you in the role of the -CEO- integrated future planning process within the firm?:**
   - ☐ Yes
   - ☐ No, please skip the rest of the questionnaire! **Reason:..................................**
8. **As -CEO- within the current company, what is the time horizon for the future planning process?**
   - ☐ Less than a year horizon
   - ☐ Less than two years horizon
   - ☐ Less than three years horizon
   - ☐ Less than four years horizon
   - ☐ Less than five years horizon
   - ☐ Less than ten years horizon

Appendix 1

QUESTIONNAIRE – SURVEY FOR CEOs AMONG MSMEs IN SLOVAKIA (page 2.)

9. To what extent does your firm's present initiatives concern the following procedures? (use scale from 1 to 5, whereas 1 stands for none highlight, and 5 strong highlight)

- ☐ .... Sustainable development
- ☐ .... Inclusive growth
- ☐ .... Financial growth
- ☐ .... Internationalization
- ☐ .... Customer relationships and satisfaction
- ☐ .... Employees development and learning
- ☐ .... Improvement of internal business processes, efficiency, and productivity

10. Generally, how successful was the company in the *implementation of the present initiatives*?

1	2	3	4	5
Very unsuccessful	Unsuccessful	Neutral	Successful	Very Successful

11. Please mark, which of the following tools did you integrate in the process of the future planning in the role of -CEO- for the current company:

- ☐ Formal strategic business plan
- ☐ Specific business strategy (e.g. cost leadership, differentiation)
- ☐ Critical question analysis (e.g. What we aspire to do? Why we exist?)
- ☐ Boston Consulting group matrix (Relative market share and market growth)
- ☐ PESTLE or PESTEL or PEST analysis (e.g. economic, political factors)
- ☐ SWOT analysis (internal strengths, weaknesses, ext. opportunities, threats)
- ☐ Balanced scorecard matrix (e.g. targets, action, performance indicators)
- ☐ VRIO analysis (e.g. asking questions regarding competitive advantage)
- ☐ Porter's 5 forces framework (e.g. threats of new entrants, substitutes)
- ☐ Other 1: ....
- ☐ Other 2: ....

12. Why did you develop a formal strategic business plan? If you did not develop, skip the question 12., and 13.

- ☐ Legislative requirement
- ☐ Bank's or Investor's requirement
- ☐ The organization's own initiative

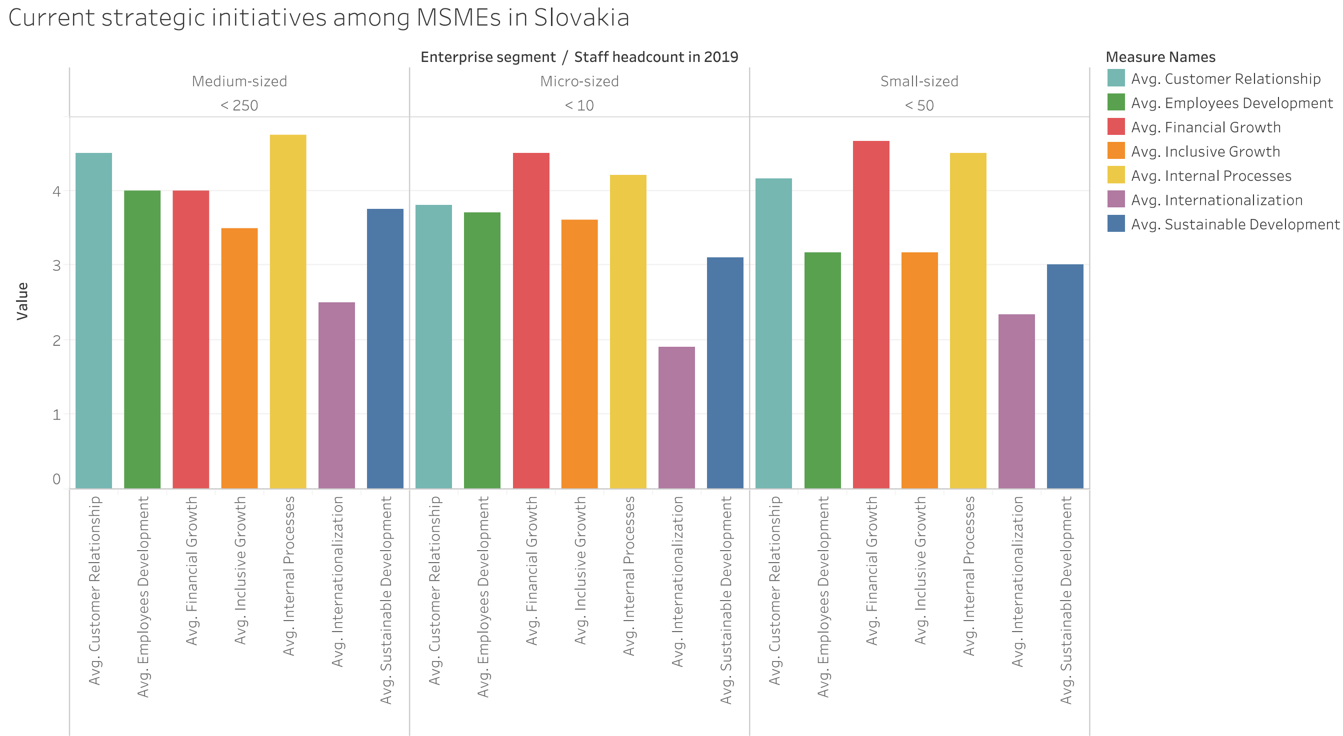
13. Does your formal strategic business plan includes and presents specific business strategies, actions or initiatives on how to achieve strategic objectives and goals?

- ☐ Yes
- ☐ No

By filling this questionnaire you agree with the following conditions. Your name won't be shared with external parties, the rest of the information will be used for statistical tests and analysis for bachelor thesis. Filip Lestan is the responsible author of this survey and will act in good faith and maintain the integrity of the responses. This questionnaire was made for educational and research purposes only.

Author's signature

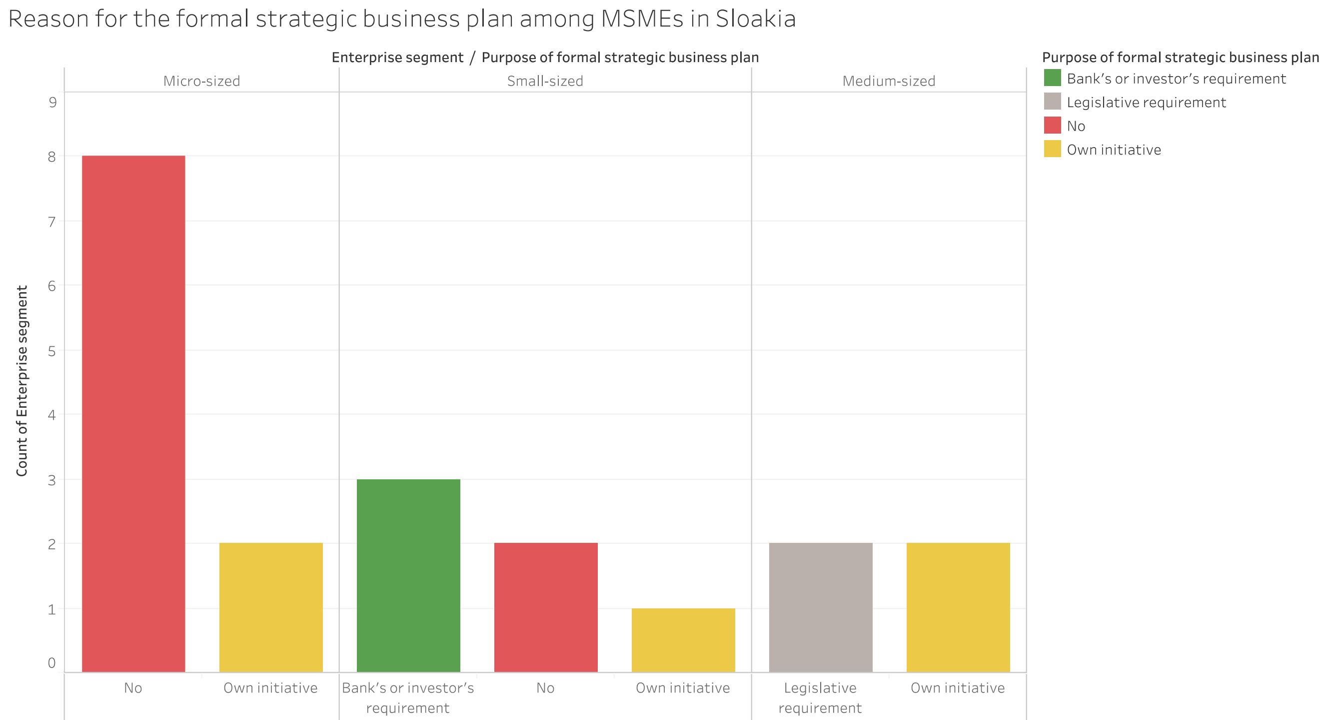
Appendix 2



Avg. Customer Relationship, Avg. Employees Development, Avg. Financial Growth, Avg. Inclusive Growth, Avg. Internal Processes, Avg. Internationalization and Avg. Sustainable Development for each Staff headcount in 2019 broken down by Enterprise segment. Color shows details about Avg. Customer Relationship, Avg. Employees Development, Avg. Financial Growth, Avg. Inclusive Growth, Avg. Internal Processes, Avg. Internationalization and Avg. Sustainable Development.

Source: Author’s own calculations

Appendix 3



Count of Enterprise segment for each Purpose of formal strategic business plan broken down by Enterprise segment. Color shows details about Purpose of formal strategic business plan.

Source: Author’s own calculations

Appendix 4

Firm's internal awareness of its vision, mission and goals

				Economic Sector	
Vision	Mission statement	Goals	Enterprise segment	Industrial	Services and Trade
Yes	Yes	Yes	Micro-sized	1	4
			Small-sized	1	1
		No	Micro-sized	1	
			Medium-sized		1
	No	Yes	Micro-sized		1
			Medium-sized		1
		No	Small-sized	2	
No	Yes	Yes	Medium-sized	1	
		No	Micro-sized		1
			Small-sized		1
			Medium-sized		1
	No	Yes	Micro-sized	1	1
		No	Small-sized		1

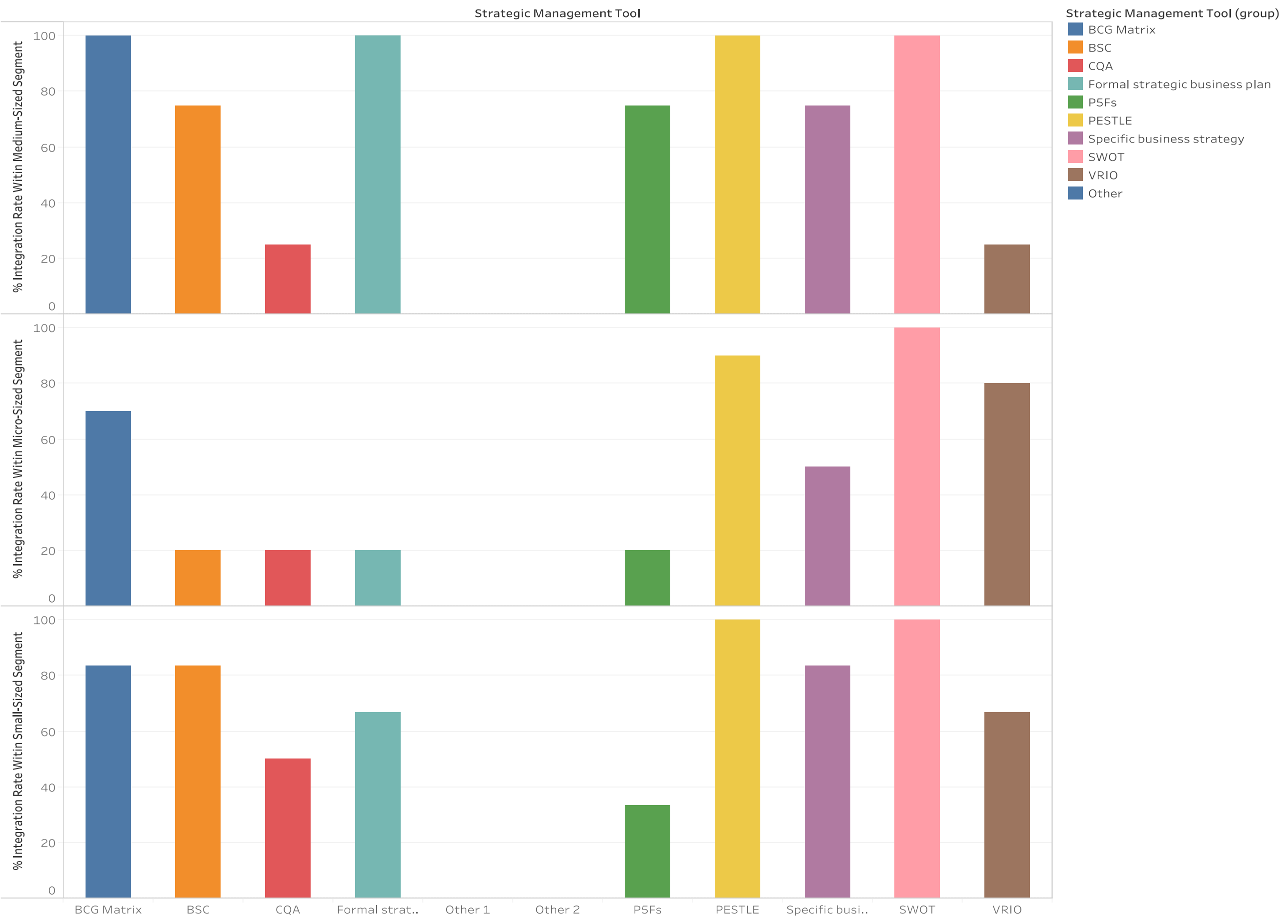
Count of Enterprise seg.. 1 – 4

Count of Enterprise segment broken down by Economic Sector vs. Vision, Mission statement, Goals and Enterprise segment. Color shows count of Enterprise segment. The marks are labeled by count of Enterprise segment.

Source: Author's own calculations

Appendix 5

% Integration of strategic management tools among particular MSME segments

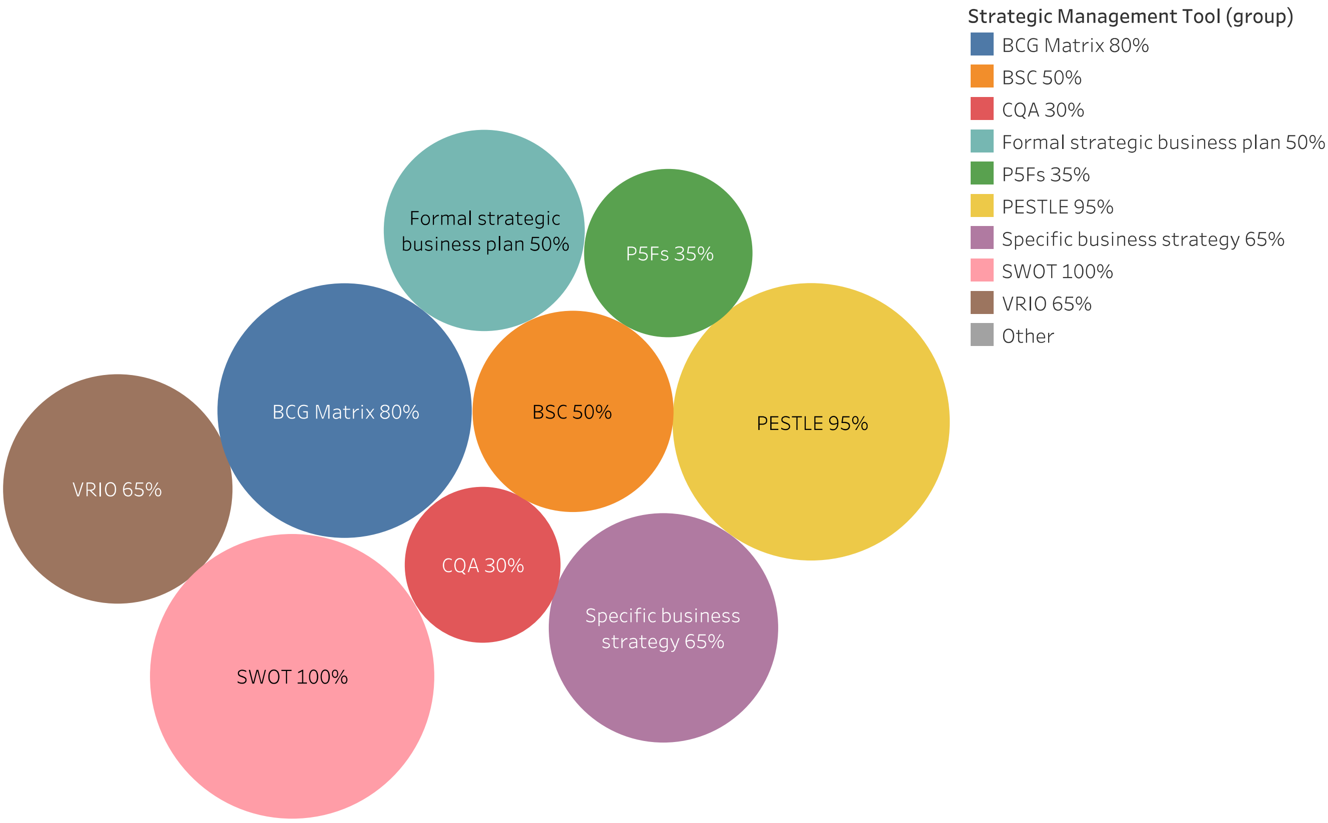


Sum of % Integration Rate Witin Medium-Sized Segment, sum of % Integration Rate Witin Micro-Sized Segment and sum of % Integration Rate Witin Small-Sized Segment for each Strategic Management Tool. Color shows details about Strategic Management Tool (group).

Source: Author's own calculations

Appendix 6

% of the popularity of the strategic management tools among MSMEs

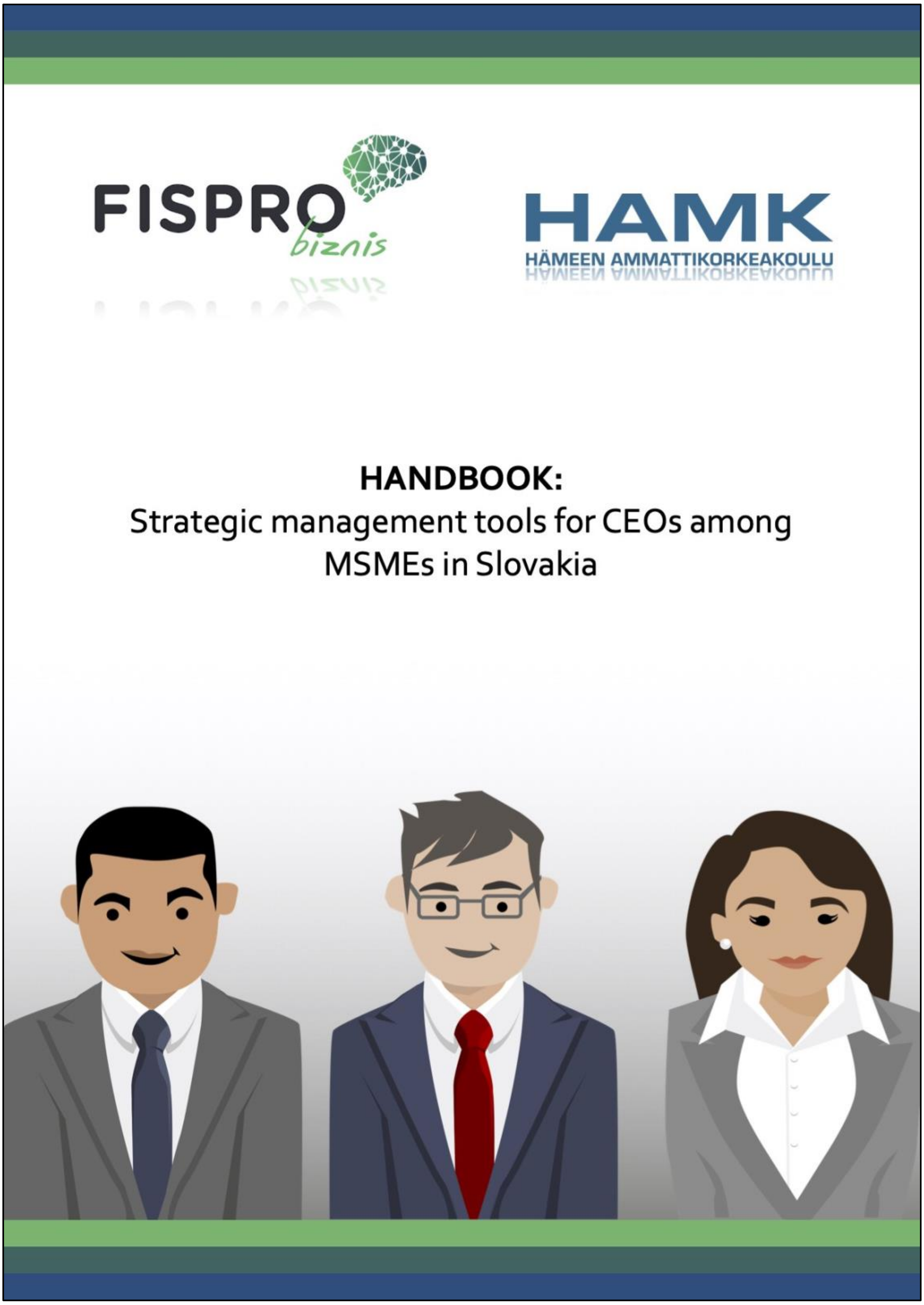


Strategic Management Tool. Color shows details about Strategic Management Tool (group). Size shows sum of % Pupularity Of Integration In Total. The marks are labeled by Strategic Management Tool. Details are shown for Strategic Management Tool.

Source: Author’s own calculations

Appendix 7

Handbook of strategic management tools for CEOs among MSMEs in Slovakia (Title page)



Appendix 7

Handbook of strategic management tools for CEOs among MSMEs in Slovakia (Content page)

CONTENT:

Appendix 7

Handbook of strategic management tools for CEOs among MSMEs in Slovakia (page 1.)

CEOs of MSMEs need to make smart decisions, smart means there is strategic thinking – Lestan, 2020

1. INTRODUCTION

1.1. Objectives of this handbook

The aim of this handbook is to provide knowledge of strategic management processes, techniques, and tools for CEOs of MSMEs in Slovakia. The purpose of the handbook was to develop knowledge of CEOs among MSMEs with mutual objective, to sustain economic development and develop internal business processes of MSMEs in Slovakia.

1.2. Definitions of notions

Table 1. Notions used in this handbook

Notion	*Explanation of notion*
BCG	Growth-share matrix
BPR	Business Process Reengineering
BSC	Balanced scorecard
CEO	Chief Executive Officer
MSME	Micro, small and medium-sized enterprise
P5Fs	Porter's five forces
TQM	Total Quality Management
VRIO	Vrio analysis

2. OVERVIEW FOR DETERMINING WHETHER AN ENTERPRISE IS MSME

Table 2. Criteria of MSME categories

Enterprise category	*Staff headcount*	*Turnover*	*OR*	*Balance sheet total*
Micro-sized	< 10	≤ 2 mil. €	OR	≤ 2 mil. €
Small-sized	< 50	≤ 10 mil. €	OR	≤ 10 mil. €
Medium-sized	< 250	≤ 50 mil. €	OR	≤ 43 mil. €

3. HISTORY OF STRATEGY

The first definitions of strategy were aimed at a narrow understanding of the product-oriented strategy. A pioneer of this understanding of strategy is H.J. Ansoff. This orientation was promoted until Japanese management put pressure on scientific and technological progress and product quality. One of the oldest definitions of strategy comes from A. Chandler, according to which the strategy is to determine the basic long-term goals of the company, ways to achieve them and allocate the resources necessary for their implementation.

A well-known author of many publications in the field of management is P. Drucker, who defines the strategy as a meaningful activity. It states that it should tend to an explicit -clearly expressed- approach, while leaving enough room for the creativity of managers.

M. Porter understands the strategy as "a combination of the goals that the company seeks to achieve with measures in a competitive environment."

One of the most important pioneers of strategic management today in Central and Eastern Europe is Zdeněk Souček, who considers the strategy to be the basis of all management, from which all short and long-term plans of activities of employees at all levels of management are derived.

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4. HOW TO PROCESS THE STRATEGIC MANAGEMENT CORRECTLY

1.Establish vision, mission, values and objectives of your firm

On the top of strategic management process, there is a need for the establishment of vision, mission, values and most importantly the objectives of a business organization. Hence, the strategic management process starts with the definition of vision. Vision reflects what a business organization aspires to. Following that, the mission of a business organization reflects why a particular business organization exists. As a result of a mission, many business organizations define mission as a two-sided tool, what business organization wants to avoid in meantime and secondly, what business organization aspires to achieve in long-term period. Missions in business practices are very often written in terms of mission statements.

Figure 1. Core elements of strategic management process (Daveaddy, 2015)

2.Analyze your firm's internal environment

When, vision, mission, and goals are clearly defined for a business organization, CEOs should be aware of the internal capabilities, resources and what are the major and minor strengths or weaknesses of the business organization. In the strategic management process, especially in the phase of strategic planning of internal environment of a business organization, it is very important to assess all of the internal forces and areas, and be aware how the business organization is working across the internal areas such as finance, marketing, accounting, production, and operations, etc. Internal forces that are considered as strengths and at the same time are not easy to be imitated by competition are described also as distinctive competencies. If a firm wants to build a competitive advantage, it means to exploit advantage out of the distinctive competencies.

3.Analyze your firm's external environment

From a management perspective, after identification of vision, mission, objectives, and assessment of internal factors of the business organization, the purpose of an external audit is to analyze and determine external forces of a business organization such as opportunities and threats, which could be advantage source to exploit from or disadvantage source where business organization should refrain from these threats. It is important to keep in mind that external audits should be a finite list of threats and opportunities. The reason for that is that a business organization should be keen on analyzing key external factors which may directly influence the business organization and which can be responded to, instead of analyzing too general and wide external factors of the business organization. Internal response of a business organization towards external factors can be either defensive or offensive. However, the business organization should undertake response which will have a positive impact on the business.

Figure 2. Elements of internal and external environment of MSME (Miumiulee, 2013)

4.Formulate your firm's strategy

Strategy formulation consists of the process of the development of vision and mission, determination of business organization's internal weaknesses and strengths, identification of business organization's external threats and opportunities, formation of long-term objectives and goals, generation of substitute strategies, and decision of specific strategies to pursue. In contrast to inclusions of strategy formulation, phase carry considerable concerns and affairs as well. For instance, strategy formulation affairs may include decision processes such as whether to internationalize – enter foreign markets, whether to form a joint venture or

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merge with another business organization, whether to diversify business operations or broaden business operations, what new business activities should be integrated or what business activities should be dispersed and last but not least how to avoid bankruptcy or a hostile acquisition from another business organization. (See strategies in point 7. of this handbook)

Figure 3. Business-level generic strategies (EPM, n.a.)

5.Implement and execute your firm's strategy

In the process of strategy implementation CEOs should begin with the most important step, preparation of budgets, creation of the effective structure within business organization, development of strategy-collateral culture, usage and development of information technologies, redirection of marketing force and lastly affiliation of employee reward to performance of the business organization.

Figure 4. Model of strategy implementation in MSME, whereas CEO is responsible for the strategy creation. (Favpng, 2018)

Every and each of the strategies that have been undertaken by the MSME needs to be modified more or less due to the constant change of internal and external factors within the Slovakia. With this in mind, the strategy evaluation phase consists of three essential strategy actions. Firstly, CEOs should review the internal and external factors that are bases for the actual business strategy. Secondly, CEOs should measure and monitor the current performance of the MSME. Thirdly, CEOs should have the ability to correct the activities which have been ineffective during the specific strategy implemented and prevent the MSME from inefficient and ineffective business actions. Nevertheless, the strategy evaluation phase is highly needed but at the same time highly underestimated. As a consequence of that, strategists should be keen on strategy evaluation as today's success is not guaranteed for tomorrow! Success in business always creates different and new types of problems.

Figure 5. Model of strategy evaluation for CEOs among MSMEs (Madhuranath R, 2012)

6.Evaluate your firm's strategy

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5. IMPLEMENTING STRATEGIC DIAGNOSTICS AND STRATEGIC MANAGEMENT TOOLS

One of the basic phases of the strategic management process is the analysis of the internal and external environment. Stability or instability of the environment, predictable and less predictable changes in the environment decisively influence the implementation of the strategy. Various methods of strategic analysis are important tools of internal and external environment analysis. These are tools to define more precisely the internal situation and the expected impact of external factors and to identify opportunities and opportunities or risk situations.

As part of the strategy making process, the company must conduct a thorough diagnosis of the opportunities and risks of the environment, as well as internal capabilities and existing resources.

For a relatively long time, external diagnostics was dominant. It was mainly to determine the most promising activities and the most important factors of competition to which the company should adapt. However, the company can also change its surroundings, develop its skills and internal resources, which can gain an advantage over the competition.

5.1. External environmental analysis

The external environment in which the MSMEs are located consists of 2 spheres:

1. Macro environment (consisting of economic, social, technological, demographic, legal, political and environmental sections).

2. Sectoral environment (contains factors that directly influence the position of the company: competitors, customers, suppliers and other factors).

Macro environment analysis
Analyze environment (SLOVAKIA) in which all MSMEs are located, irrespective of a particular sector or type of business, under pressure from forces that cannot influence.

The first factor is economic environment in Slovakia. CEOs needs to analyze the type of economic mechanism, economic policy, basic macroeconomic indicators in Slovakia.

The second factor is technological environment. CEOs needs to be aware of science and technology development, research and development base, new technologies in Slovakia.

The third factor is social environment. CEOs needs to understands the social structure, social groups, ethical and other norms, social problems in Slovakia.

The fourth factor is demographic environment. CEOs needs to be aware and understand population number, structure and mobility, job qualification in Slovakia.
The fifth factor is political and legal. CEOs needs to understand political situation, government economic policy, legal norms and their application in the Slovak Republic.

The sixth factor is environmental. CEOs needs to understand the organic and nature policies regarding the business operations in Slovakia.

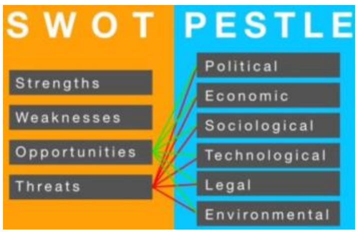

Figure 6. SWOT & PESTLE analysis‘ tools and their aspects. (Elmansy R.,2019)

Sectoral environment analysis
The first factor is potential competitors. CEOs needs to be aware of non-sectoral firms which are able to enter and compete. In addition to existing competitors and rivals among the sector or industry.

The second factor is bargaining power of customers. CEOs needs to understand customers, they usually demand lower prices and higher quality.

The third factor is bargaining power of suppliers. CEOs needs to be able to lower the pressures of suppliers. They usually want to supply material at higher prices - threat if quality is lower.

The fourth factor is substitutes - products or services that can replace the original product or service, meet a similar need. Therefore, CEOs needs to understand that, if their competitors lower the price of the substitutes and the higher their quality, the more serious they are.

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Selected techniques and approaches to business environment diagnostics:

1. PASSPORT
- spreadsheet information about a specific diagnostic zone, location, region. To be stated:
- identification of the business territory
- geographical, historical and technical data
- retrospective characteristics (time series, population)
- list of the most important companies, services
- ecological conditions for business.

2. DIAGNOSTIC MISSION
- it is a diagnostic test of companies, business environment and entrepreneurs.
- information sources: Company employees visit nearby businesses for specific visits, get info from them and then process them.

3. MONITORING
- it is done by information and advisory centres. It is a continuous activity of specialized companies that focus on special monitoring of business or industry development industry.
- it is a general marketing survey.

4. BUSINESS ENVIRONMENT STUDY
- projects and programs for business formation are being developed.
- it also describes the influence of the enterprise, environment for the MSMEs and its opportunities and threats affecting the CEOs of the company.

5.2. Firm's internal analysis

Internal analysis examines and evaluates the internal environment of the company, together with external analysis form the basis for formulating strategy.

Business diagnostics is a science that deals with the recognition and evaluation of: level of functioning of the company as a system, the total value of the enterprise, strengths and weaknesses of the company, problem and crisis, phenomena in the company to find untapped possibilities and potential of the company. In this notion of strength, skill, ability, a valuable resource, a premise, the potential to gain a market advantage in the form of a better product, a resounding brand or better customer service. In this notion, weakness is something that the company lacks or a condition that puts it at a disadvantage.

Methods of internal analysis
The analysis of the internal environment has several methods. The main methods of internal company analysis are:
- internal capabilities profile analysis
- vulnerability analysis
- value chain
- cost chain
- assessment of competitive power

Analysis of the internal capabilities profile in a clear form shows the strengths and weaknesses of the business. The result is presented in graphical form. It should cover all functional (marketing, research, development, production, finance, human resources) and cross-cutting (business competitiveness, line managers, logistics, business infrastructure, info systems) business areas.

Vulnerability analysis
Vulnerability analysis focuses on assessing the weaknesses of the business. It is based on identification of props (strengths) of the company against which the evaluator occupies the position of the so-called. devil's lawyer, i.e. that it seeks to back up weaknesses and seeks to disrupt them, so as to draw attention to the potential sources of the crisis and to make proposals to remedy shortcomings and reverse weaknesses.

Vulnerability Steps:
1.support identification (based on analysis of internal company profile)
2.taking on the role of devil's advocate and formulating threats
3.formulating the results that would have arisen if the threat had taken place
4.quantification of consequences
5.determining the likelihood of a threat
6.quantification of the company's ability to react to potential threats
7.plot analysis results in a diagram and evaluate the overall vulnerability of the company.

Value Chain
The analysis of the value chain is based on the knowledge that a competitive advantage cannot be identified and assessed when looking at the business as a whole. The undertaking must be broken down into a set of sub-activities which are specifically examined for their contribution to the total value produced. The value that an enterprise creates is the amount that customers are willing to pay for a product or service. An enterprise is profitable if the value it creates exceeds the cost of performing value-creating functions.

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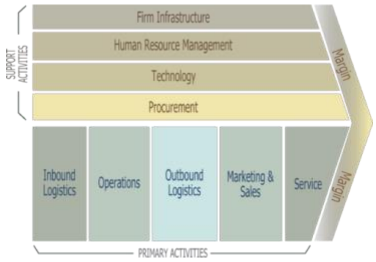

Figure 7. Value chain framework. (Tarver E., 2019)

Cost Chain
The analysis of the cost chain is based on the assumption that there are a number of variable causes of cost differences between competing undertakings, therefore everyone changes constantly to compare their costs with those of the opponent. This is the task of strategic cost analysis.

Evaluation of competitive strength
The task of assessing competition is to identify:
- the stability and firmness of the current competitive position
- competitive tendencies
- relationship to the main competition
- competitive advantages
- ability to defend a position.

To assess competitive strength:
CEO needs a list of evaluation criteria, which are key success factors and competitive strength parameters

Allocation of weights to evaluation criteria:
- evaluation of the company and its main competitors according to individual criteria based on the scoring scale
- calculation of ratings
- assessment of the overall strength of the enterprise.

5.3. Analysis of single sector activities

It is important to identify businesses that use the same type of strategy, as they belong to the same strategic group. Competition within a group with the same strategy lies in differences in tactics in different areas:
- product quality
- funding conditions
- range of services provided

Competition between strategic groups is based on different strategies.

The analysis of competition in the sector focuses on the existence of strategic groups of companies in the sector and their mapping according to 2 parameters:
- degree of specialization
- the type of technology

5.4. Competitors analysis

Analysis of competition or competitive analysis is one of the aspects of external strategic diagnostics of a company. The basis of competitive analysis in this area is the work of M. Porter, according to which the competitive strategy is specified and the analysis of the industry and the position of the company in the industry.

5 competitive forces according to Porter
Porter defined the main factors of the analysis of the competitive environment and created a scheme of 5 competitive forces. The identification of these 5 factors allows the company to identify its strengths and weaknesses, other businesses and, on that basis, to anticipate the development of competitors and the strategic actions of competitors on the market.

Here are 5 competing forces by porter:
- existing enterprises
- potential competitors
- substitution products
- clients - competition on the part of clients
- suppliers - competition on the side of suppliers

Existing enterprises and firm stability
When analyzing the existing competition, the stability of the company's position is interesting, which is influenced by:
- number of companies
- their size
- internal characteristics of companies
- nature of the sector

Risk of entry of new competitors
The second critical factor is the risk of entry of new competitors bringing additional capacity and trying to sell their products. This risk must be assessed on the basis of entry barriers for the sector as well as the retaliation of firms that already exist on the market. These are aggressive trading stocks such as. price cuts, advertising and sales promotion, counterattacks on the original incoming market to weaken them in their own field.

Barriers to entry into the sector
If entry barriers are high, the risk of new competitors coming in is low. Otherwise, competition is expected to grow.

The main barriers to entry are:
- the significance of economies of scale
- minimum production size required to maintain
- degree of product differentiation
- technological standards

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- certification
- customs
- transportation costs
- excess production capacity in the sector
- time and cost for implantation in the industry

Risk of substitution

The third potential threat to the company is the risk of substitution. Each business in a sector is a potential competitor for other industries. A Substitute is a product or service that can replace the original product or service or meet similar needs. The lower the price of the substitute and the higher the quality, the lower the cost of switching to the substitute product and the more serious the threats.

Client-side competition

The fourth factor is the client - the basic element of the sphere of demand resp. consumption. It affects the intensity of competition by pushing down prices, requiring the highest quality.

The ability of the clientele to influence the competition of companies depends on:
- degree of client concentration
- the proportion of customer purchases from that sector
- product differentiation
- threats to integration

The last factor of competition is the supplier. Strong suppliers tend to engulf their clientele. They can exert pressure on the downstream sector by raising prices, dictating the quality and range of products and services.

Evaluation of competition

In terms of competition analysis we evaluate the following parameters of competition:
- strengths and weaknesses of competition
- competition view of the surroundings
- the objectives pursued by the competition
- decision-making and power-sharing

Figure 8. Porter's five forces model. (B2U, 2016)

Supplier competition

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FISPRO biznis

HAMK HÄMEEN AMMATTIKORKEAKOULU

6. CONDUCTING METHODS AND PROCESSES IN STRATEGIC MANAGEMENT

6.1. Benchmarking

Benchmarking is a way of defining the goal of change, in other words learning from the best. Benchmarking is the process of comparing and measuring the actual execution of processes with comparable processes in selected leading organizations; the purpose is to obtain information with deviations that will help the organization to identify and implement improvements - a comparison with the best.

Purpose of benchmarking
Benchmarking is the main purpose of benchmarking and not just measurement.

Benchmarking is:
- structured process
- learning from others
- outward focus
- improvement and not evaluation

Benchmarking tools
The following tools can be used for benchmarking:
- performance - our own position against the best
- process - what we can learn from the best
- strategy - whether we are going in the same direction as the best

Types of benchmarking
- internal benchmarking - between own organizational units
- competitive benchmarking - focusing only on the best in the industry
- functional benchmarking - horizontal comparison - with closest suppliers / customers
- benchmarking of foundations - businesses in different industries - unrelated industries

Benchmarking process:
Phase 1 - planning – CEOs need to find out which factors are critical in the company, how it will be compared, measured and documented

Phase 2 - searching - identifying partners - the willingness of the business CEO compare to

Phase 3 - Monitoring - Understanding and documenting benchmarking processes

Phase 4 - analysis - determination of differences and roots of differences, the result may also be a radar or spider diagram

Phase 5 - adaptation - selection of the best, realization of changes themselves, adaptation to own conditions

6.2. Methods for implementing change

METHODS FOR IMPLEMENTING CHANGES IN MSMEs:
1. progressive information technology
- the result is an integrated automated organization

2. couching
- the result is high-performance top and middle management

3. learning organization
- the result is an organization that is able to learn from its own actions and from other actions

4. Socio-technological systems
- the result is excellent work processes managed by self-organizing teams

5. creating dynamic systems
- knowledge of the structure and policy of organization and communication with customers

6. Total Quality Management (TQM)

7. Business Process Reengineering (BPR)

TQM and BPR are philosophies of making changes.

TQM - changes should not be abrupt, they should be visible only with time
- is based on small, gradual steps
- knowing the customer is essential
- first of all we need to know the customer's requirements and then we can talk about what product we want to create
- a relatively successful method

BPR - a radical change approach
- essential rethinking and radical rearrangement of the system to get dramatic process improvements
- 80-90% of reengineering shares are unsuccessful
- resistance of employees to change

target values of BPR – quality, time, trial, costs

Reengineering raises:
1. / local changes
2. / internal changes
3. / interface changes (suppliers - customers)
4. / network changes

Obstacles to making changes:

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1. a sense of personal loss - from the time and resources
2. existing communication habits
3. feedback - it is a pay system for workers
4. the gap between rhetoric and action mental models - ideas of how something should work

6.3. Strategic decision making

In strategic decision making process CEOs should discuss the economic, political and organizational dimensions of the strategy.

The economic dimension is analytical - it monitors the economic parameters: resources, specific expertise, succession of shares, potential market, competitive tactics, minimal investment.

Ask yourself questions:
What does the company want?
What is an enterprise?
What does an enterprise want to do?
What will he do?

Elements of the economic dimension:
clarity of mission
clarity in the definition of objectives
balance between business activities
systematic analysis of opportunities and threats
systematic identification of resource needs
plans, deadlines, expected results

The political aspect takes into account the actors of the strategic planning process with their individual goals and criteria, often conflicting goals. Actors include ecologists, consumers, trade unions, public authorities, employees, etc.

Elements of the political aspect:
- identification of internal policy makers
- identification of external policy makers
- knowing the goals of the actors
- knowledge of the strategies of the actors
- identifying potential allies
- identifying potential adversaries
- preparing strategic responses to actors' response

The organizational aspect deals with the management system. Tools of this system:
- type of organization
- the type of decision making process
- type of motivation process
- type of control procedures

Elements of the organizational aspect:
- a clearly defined organizational structure
- comprehensive and functioning information system
- rules, programs, procedures of activities
- activity monitoring system
- results control system
- staff evaluation system

6.4. Strategic segmentation

The phases of the strategic segmentation process:

market segmentation
1. determining the criteria for segmentation
2. processing unit profile. Segments target groups
3. creation of attraction criteria. Segment
4. select target segment. Market position
5. defining the characteristics of the market position
6. design marketing strategy (mix) for target segments

Figure 8. *Marketing mix; 4P's model.* (Remote Executive Officer, n.a.)

6.5. Strategic changes in organization

In order to survive, an organization must constantly adapt to the circumstances and events that arise in its immediate as well as the surrounding environment.

Change is important, it occurs more and more often. It can be distracting, threatening and unpleasantly unpredictable, but it can also provide an opportunity for true creativity.

CEOs can distinguish change in terms of the level at which the change takes place - that is, in terms of its effects on individuals, teams, groups and organizations. It can be assumed that a change that affects only one person will be more easily managed than a change that affects a group of people or the whole organization.
Successful change requires that methods, techniques, strategies and implementation tactics be adapted to the history, culture and people of the organization. There are many models of how to make a change and how to deal with it. Any change should be a planned change. Forced change always leads to resistance, usually with unexpected consequences - even in the end that does not happen.

Potential of organization
- ability to perform; summary of people's ability to act in the organization

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- the healthier the business, the greater its potential; its failure to use means for the organization to miss its chances; Risk is a negative deviation
- normal state - is a dynamic state in which chances and risks are balanced
- can be positive (for change) or negative (against change)
- in terms of the potential for change, the law of the strongest and the weakest applies: After some time, activity takes on the weakest potential and becomes a braking force. ”This relationship is the driving force behind change.

Potential dimensions:
1. / factual - expression of identity, essence
2. / spatial - physical layout, arrangement
3. / time - measurement and development at a certain time
4. / Effective - the degree of rationality of potential utilization
5. / d. effectiveness - the usefulness of exploiting the potential

To avoid the chaos of change, CEOs need to find a solid, stable point in the organization where they can base change. For instance, customer interest, tools, roles, need for accountability.

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FISPRO biznis

HAMK HÄMEEN AMMATTIKORKEAKOULU

7. EXECUTING STRATEGIES IN STRATEGIC MANAGEMENT

The strategy directs the organization towards a certain behavior that responds to the given state of the internal and external environment and its anticipated development. Accordingly, CEOs can define the basic types of strategic alternatives, from which the specific characteristics of the real functioning of the organization in a given environment derive.

7.1. Generic competitive strategies

Generic approach
- identifies certain common features of the conduct of successful undertakings without being linked to a set of limiting factors
- assumes that certain strategies are almost always appropriate, regardless of the specific situation
- these strategies are referred to as generic (model, type)
- certain strategies are always appropriate regardless of the specific situation

Porter's competitive strategies:
Porter proposed three generic business strategies by which a business can outperform its competitors.

They are:
1. (Cost leadership) minimization strategy - the objective is to outperform competitors by producing goods or providing services at lower cost.
The cost leader opts for a narrow range of product differentiation. It differentiates only to the extent that it keeps costs low. Products are only innovated when consumers want it not to lose the market. It ignores different market segments and focuses on the average consumer for the lowest cost possible.
Cost leadership requires a large market share, as it has to buy inputs in relatively large quantities, and is therefore in a stronger position of suppliers.

2. Differentiation strategy - the purpose is to achieve a competitive advantage by creating a product or service that is perceived by the consumer as being special, exceptional or unique.
Differential prices are usually much higher than cost leader prices. The consumer accepts them because they trust in quality, so the price is set to the extent that the target market can bear.
The differentiator views the market as a set of multiple segments, deciding whether it will be a wide differentiator or will serve only some segments. Developing the exceptional capabilities necessary to obtain a differential advantage is costly, and therefore the differentiator has higher costs than the cost leader.

3. A narrow focus strategy - is geared to meeting the needs of a limited group of consumers or a defined segment and finds opportunities in the form of market gaps. It is applied through differentiation or low cost.
(a) cost specialization - focus on a price-sensitive, narrow segment
b) differentiation specialization - competes with differentiation, but focuses on a narrow market segment

A CEO is protected from rivals as much as he can provide a product or service that competitors can't. It gains power over customers because no one else can deliver the same product. The specialization strategy will allow the company to stay close to its customers and respond to their changing needs.
A specialist is threatened by a sudden disappearance of a segment as a result of an innovative change or a change in consumer tastes and preferences.

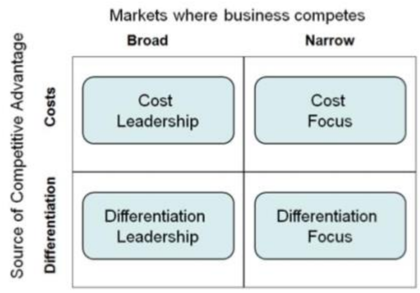

Figure 9. *Generic-competitive strategies.* (Tutor2u, n.a.)

7.2. Growth strategies

Growth strategies are business strategies and this handbook distinguish:
1. the concentration strategy
2. vertical integration
3. related diversification
4. unrelated diversification

CONCENTRATION STRATEGY
- focuses on one product or service
- growth is realized by increasing the original business
- restricts the choice of growth opportunities and usually results in slower but more controlled and stable growth

This is done in the following ways:

market development
- enlarging the existing market, gaining a larger share in the existing market, expanding into new territories, setting up new market segments.

product development
- replacement or innovation of a basic product or service, integration of new related products

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- it helps to exploit the reputation of an undertaking which it has acquired with hitherto production

horizontal integration
- affiliation of one or more businesses producing similar products or services and operating in the same sector of the industry
- almost all horizontal integrations are made through the purchase of another business in the same business

VERTICAL INTEGRATION

Methods:
backward integration - if the business expands to an area that serves as a supplier

responsive integration - when business penetrates areas that use and consume its products

full vertical integration - when an enterprise produces all its inputs into its manufacturing processes and disposes of its entire production itself

narrow integration - if other enterprises are also involved in inputs and outputs.

Advantages:
- savings of production N in technologically related processes
- reduction of N for sale, advertising, transport
- quality improvement
- the protection of its own original technology as a result of well-kept know-how
- eliminating dependency on suppliers and customers.

Disadvantages:
- higher N - if the company is forced to buy inputs only from its own suppliers, although there are cheaper external sources
- sensitivity to changes in technology - when any part of the manufacturing technology becomes obsolete.
- sensitivity to changes in demand

An alternative to vertical integration is long-term contracts (concluding long-term contracts with suppliers or customers without entering N into the management that accompanies vertical integration.

RELATED DIVERSIFICATION
Strategic consistency exists when different businesses have related production chains, so there are significant opportunities to operate in another business

Advantages:
- a diversified business will perform better than the sum of the performance of independent businesses
- allows companies to maintain a certain degree of unity of business activities, to gain competitive advantages from the transfer of skills, spread business risk on a broader basis
- economies of scale N

Forms:
• Entrance to the business where it is possible to use sales, advertising and distribution activities from the previous business (bread bakery buys a bakery maker)
• use of very related technologies (the producer of artificial fertilizers diversifies into plant protection chemicals)
• transfer of know-how and experience from one business to another (an educational institution starts providing guidance services)
• transfer of brand and reputation to a new product or service (tire manufacturer diversifies to tire service)
• Acquisition of new businesses that significantly support the core business positions (cable company buys a film company to provide original programs)

Strategic compliance is located in 3 locations:
1. in marketing
- the same customers
- the same distribution channels
- resembles sales promotion
2. in production
- using the same production facilities and working skills
- similarity of production methods and know-how
- joint suppliers and raw materials resources
- the same materials
3. in management
- management methods and managerial experience are transferable to another business.

Related diversification is aimed at gaining any benefit that results from strategic alignment. The aim of related diversification is to turn strategic business consistency into a higher level of competitive advantage than separate business units would achieve.

NON - RELATED DIVERSIFICATION
- diversification into any sector in which senior management sees an attractive profitable opportunity
- the decision on unrelated diversification is based on the search for a suitable opportunity, usually an established business in the unrelated sector

Business strategies follow suitable companies according to the following criteria:
- profitability indicators
- capital injection for the restoration and development of fixed assets
- growth of potential industry
- the vulnerability of the sector to recession, inflation, high interest rates
- real or potential social and economic. Needs.

Highly attractive opportunities for unrelated diversification are:
- undertakings (the value of the enterprise is below market value. Resale will bring more than the original market price)

- enterprises in financial distress (the company is bought at an agreed price, then it is financially recovered and held either as a long-term investment or sold at the appropriate moment)

- businesses with good growth prospects but insufficient capital.

Businesses that pursue a strategy of unrelated diversification almost always enter a new business through the acquisition (takeover, purchase) of an established business.

Advantages:
- business risk is dispersed across a set of sectors
- capital resources must be invested in any sector with the best prospect of profit
- profitability of the whole enterprise is more balanced

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- the wealth of shareholders increases depending on the financial and strategic skills of the management of the company to buy cost-effective businesses.

Disadvantages:
- high management demands
- the performance of a portfolio of unrelated business tends to be greater than the sum of the individual performances of the business units that would operate independently
- practice does not prove too much the balanced cyclicality of diverse businesses.

Unrelated diversification makes sense when a business needs to escape from an unattractive industry and does not have the special capabilities it could transfer to related businesses.

Figure 10. *Growth strategies framework.* (JC, n.a.)

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8. RECOMMENDED STRATEGIC MANAGEMENT TOOLS FOR CEOs OF MICRO-SIZED ENTERPRISES

1.SWOT
SWOT analysis is a definition for analysis abbreviated from the terms strengths, weaknesses, opportunities, and threats. SWOT is an analyzing tool used in the second phase of the strategic management process, internal and external audit, whereas strengths and weaknesses are part of the internal audit and deal with the internal capabilities, competencies, and resources in contrast to opportunities and threats which are part of the external audit, and deal with the conditions, changes, and possibilities that a business organization have in the business environment

2.PESTLE
The aim of the analysis is to scan macro-environmental factors and at the same time enable the top-management of a business organization to understand the external phenomena such as crucial trends, risks, and improvements in the business environment. Understanding the key trends, risks, and improvements within the business environment among political, economic, social-cultural, technological, legal, and environmental aspects are better for those who understand them than those not being aware of them, due to fact that, the business environment is under dynamic shift and constant changes all of the time

3.VRIO
VRIO analysis is a definition for analysis abbreviated from the terms value, rarity, inimitability, and organization's support. VRIO is an analyzing tool used in the second phase of the strategic management process, exactly in the internal and external audit stage to diagnose a business organization's resources and capabilities to answer if the organization has a competitive advantage and if it has, what kind of? If the capabilities and resources of a business organization are not understood by top-managers, there might be threats, risks, and dangers that can take the wrong direction of the top-managers actions. Therefore, the VRIO analysis helps top-managers to assess what, and how the degree of a business organization's capabilities and resources are valuable, rare, inimitable, and encouraged by the business organization.

The most interesting fact is that the SWOT analysis was used by the CEOs of all company sizes in our survey. Therefore, SWOT analysis can be considered as an essential element in strategic management. The popularity of the SWOT strategic management tool was 100%. The PESTLE analysis was used in every business except one respondent in the micro-sized enterprise, leading to PESTLE analysis second with 95% popularity in using the tool. Thirdly, the use of VRIO especially in micro-enterprises may be due to high competition in the micro-enterprise segment, as the total number of micro-enterprises was 461.961 in 2019. VRIO analysis serves to analyze the competitive advantage. In the micro-business segment, on average, the first three current strategic initiatives were as follows; 1. financial growth, 2. internal business processes, 3. customer relationship.

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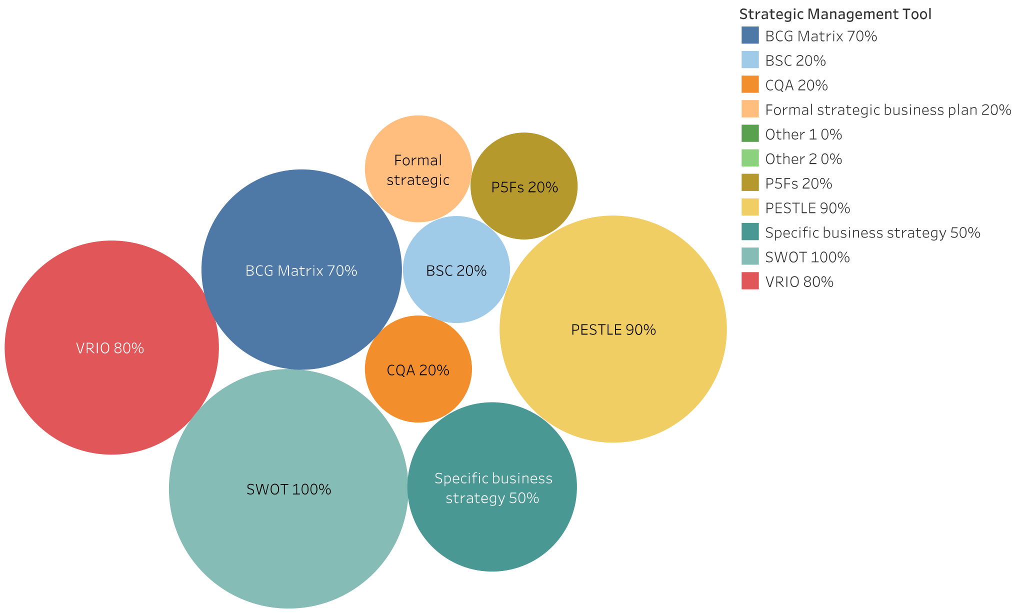

Figure 11. *Popularity of strategic management tools among micro-sized segment*
SOURCE: Survey

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9. RECOMMENDED STRATEGIC MANAGEMENT TOOLS FOR CEOs OF SMALL-SIZED ENTERPRISES

1.BCG MATRIX

BCG matrix was founded by the founder of Boston Consulting Group, Bruce Henderson in 1968. Nowadays, the BCG matrix is a core element in teaching at business schools and more than half of the Fortune 500 companies use the framework. BCG matrix is a square consisted of four quadrants (see Figure 10.), whereas each quadrant represents a different sequence of relative market growth and relative market share. The first quadrant represents low market growth and low market share, therefore business organizations should divest or liquidate their activities, products or services. Following is the second quadrant which actually represents low market share but high market growth. As a result of being positioned in the second quadrant, business organizations should eliminate their position and either reject the activities, products, and services or invest to become the third quadrant, which depends on the chances to become the third quadrant. The third quadrant represents high market growth and high market share. Without a doubt, business organizations should invest in their activities, products or services positioned in this quadrant as the potential in the future is high. Last but not least, the fourth quadrant represents the low market growth and high market share. Therefore, business organizations should exploit from the fourth quadrant in order to reinvest either in the business activities, products or services positioned in the second or third quadrant. According to Harvard Business Review, BCG matrix is one of the twenty listed frameworks that changed the business world.

2.BUSINESS STRATEGIES

Business strategies can be divided into generic or so-called competitive business strategies or interactive business strategies. A competitive business strategy includes the element of competitiveness. The purpose of a competitive business strategy is to deal with the competitive advantage of a business organization through its major activities. According to Michael Porter, competitive advantage can be established through the creation of value for the customers based on the costs or differentiation from the rivals. To sum up, a business organization can have either lower costs than its rivals, or services and products can be different from its rivals.

3.STRATEGIC BUSINESS PLAN

The strategic business plan is a game plan for business organizations for a long-term period of time. Truly, it is hard to forecast the future but when the formal strategic business plan is created once, it has got multiples benefits for the business organization and stakeholders involved in the business activities with particular business entity. Some may argue that formal business plans are used only to seek the financial resources from the banks and investors. Nevertheless, if CEOs, MDs or entrepreneurs do not develop a formal written business plan, the lack of planning is way too much evident in the failure rate of MSMEs experience.

The most interesting fact is that in the small-sized business segment, 66.67% of CEOs developed a formal strategic business plan, while 75% was required by a bank or investor and 25% was developed on their own initiative. In the small business segment, on average, the first three current strategic initiatives were the same as in the micro business segment, and the following; 1. financial growth, 2. internal business processes, 3. customer relationship

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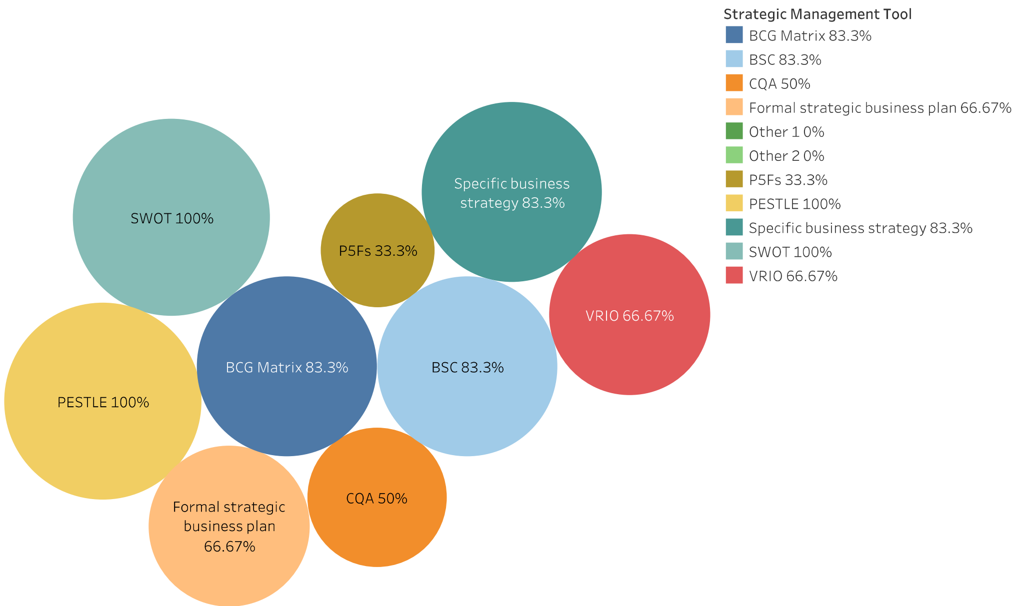

Figure 12. *Popularity of strategic management tools among small-sized segment*
SOURCE: Survey

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10. RECOMMENDED STRATEGIC MANAGEMENT TOOLS FOR CEOs OF MEDIUM-SIZED ENTERPRISES

1.BSC
BSC is very challenging to be implemented among top-management, due to the differentiation of the strategic business units. It is more efficient to implement BSC among functional and operational units (first-line, and middle management). Each perspective of the BSC matrix consists of the targets, objectives, KPIs and initiatives or in other words actions. For instance, in the customer perspective, how should a business organization appear to its customers? From a financial perspective, how should a business organization appear to its shareholders? From an internal business process perspective, how should a business organization develop internal processes in order to satisfy its shareholders and customers? Lastly, from the learning and growth perspective, how should members of a business organization improve and change in order to follow the organization's vision. To all of the above-asked questions, CEOs, MDs, and VPs of organizations need to determine initiative or action for the target and objective, which will be measured by the measurements – KPIs

2.P5Fs
Porter's five forces model was designed by Michael E. Porter and published the first time in Harvard Business Review in 1979, which led to a revolutionary change of approach towards strategy in various business fields. The P5Fs model has shaped the generation of business practices and academic practices in the research field. Essentially, the job of CEOs, MDs, and VPs is to be aware and understand the scope of the rivals and competitors in order to succeed among the markets or industries. Top-management defines competition in the business environment very narrowly, competition does not consist of direct competitors and rivals but also indirect competitive forces. The competitive forces, which shape the industry in which a business organization operates are first of all existing rivalry among competitors followed by the threats of new entrants, and threats of the substitution of products or services within the industry. In addition to that, another two competitive forces, which shape the industry in which a business organization operates is the power of bargaining from the buyers and suppliers' perspective.

The most interesting fact is that in the medium-sized business segment, the P5F and formal strategic business plan are more widely used than in any other MSME segment. In small businesses, BSC, CQA and a specific business strategy are used more than any other MSME segment. In the medium-sized business segment, on average, the first three current strategic initiatives were as follows; 1. financial growth, 2. internal business processes, 3. customer relationship.

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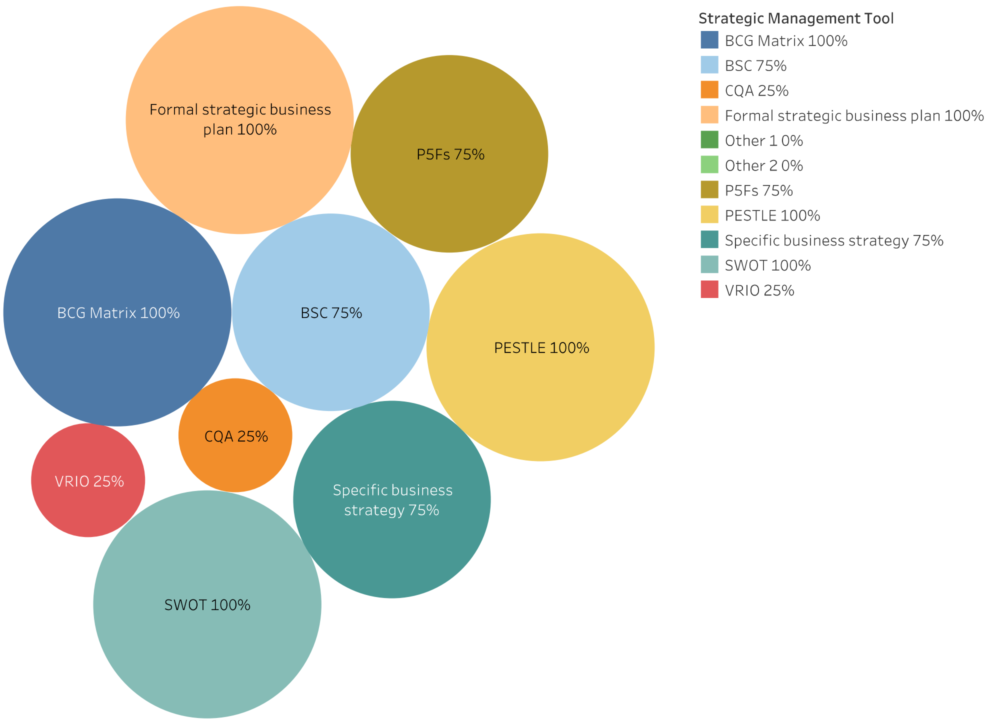

Figure 13. *Popularity of strategic management tools among medium-sized segment*
SOURCE: Survey

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