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## INTERACTION OF STRATEGIC MANAGEMENT PROCESSES AND ACHIEVED CORPORATE PROFITABILITY: EVIDENCE FROM CROATIA

### ABSTRACT

*Strategic management can be said to have evolved over time and will continue to evolve. In order for companies to be more successful in their operations, they need a methodological approach to developing a strategic plan. Strategy implementation is a complex process because it is a consequence of complex relationships. In accordance with the above, an empirical study was conducted on a sample of 53 companies in the Republic of Croatia. The subject and goal of the research was to scientifically determine the importance of adopting and implementing long-term strategic plans. The main results of the research are that the degree of implementation of the strategy is not significantly related to the indicators of net profit margin (ROS 0.164) and return on equity (ROE 0.216), while it is partially related to the indicator of earnings strength (TSZ 0.304) but is significant for a successful business. The implementation of the research revealed that strategic planning is an extremely important and significant factor for stable growth and development of the company. The implementation of the strategy has an important contribution to the successful operation of the company.*

**Keywords:** *Strategic planning, profit, company profitability*

**JEL:** *O12, O29, C49, G32*

### 1. INTRODUCTION

In today's modern business world, observing from a global point of view we can see large differences in the performance of the company. Many business owners strive to come up with concrete insights into what it is that contributes to a company's successful business in the global marketplace. In the business world, the convulsive struggle for the survival of business is visible. However, what is known is the fact that without a good and quality strategy, mission and vision, companies cannot survive in the global market. Strategic management is a very dynamic and complex

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concept that highlights three relevant segments, such as teamwork in the company, managerial process and scientific discipline. It can be said that strategic management has evolved over time and will certainly continue to evolve. In order for companies to be as successful as possible in their business, they need a methodological approach to developing a strategic plan. The development of a strategic plan is not a simple process, it is necessary to carefully observe the environment in which the company operates, as well as detailed planning of all factors that play a key role in the strategic planning process. Making a good strategic business plan of the company ends with making quality and effective decisions on which to base the successful business results of the company. After a quality and well developed strategic plan, it is necessary to approach its good and quality implementation. The failed implementation of strategic plans is one of the fundamental reasons why companies are not profitable. The heterogeneous relationship between enterprise strategy and financial performance leads to pushing boundaries in scientific research.

## 2. Theoretical review

In recent times, strategy means the struggle for survival and victory. In the business world, strategy means the struggle of two or more companies for customers and the market, strengthening the competitive position by increasing market share, while achieving continuous profitability for long-term survival in the market. When strategic management is viewed as a process, it implies a continuous process that seeks to steer the company towards continuous operation in a very dynamic, changing and unpredictable environment.

Strategic management as a scientific discipline encompasses the entire spectrum of organized knowledge related to the analysis of the environment, setting organizational direction, formulating and implementing a strategy and implementing control and achieving progress. A modern enterprise could hardly exist without management, because the global market is full of challenges to which humanity is exposed and which can be overcome by managers (Sikavica i Bahtijarević-Šiber, 2004).

Strategic management can be divided into: strategic planning, implementation of strategic plans and strategic control. We can present strategic management as accepting and adapting the company to the challenges from its environment. The survival of companies in today's global market environment, which is exposed to dynamic changes, is possible only through the adoption of quality business policies and strategic plans.

## 2.1. Important determinants of strategic management

Consideration of the strategy definition approach can explain the attitude of the top management of the company not only in the formulation but also in the implementation of the strategy. Different approaches indicate that top management prefers a greater or lesser level of formalization, decentralization, flexibility in making strategic decision and strategy implementation. Therefore, it is necessary to present several important determinants of strategic management (Buble, 2005):

- strategic management is a consistent process, which means that it lasts continuously
- management engagement comes in a series of stages that begin with environmental analysis, setting organizational direction, formulating and implementing strategies, and finally with control and evaluation
- managers make many decisions, which means taking a number of actions with the help of which they strive to achieve the set goals
- strategic management must ensure that possible rapid action is taken in response to sudden phenomena from a dynamic and complex environment
- strategic management is a cyclical process after the last stage continues further again with the first stage

## 2.2. The process of strategic management and strategy implementation

Although the task of top management is more focused on strategy design and the task of lower operational levels of management is more focused on strategy implementation, the optimal solution is the synergy of all levels of management throughout the strategic management process. This requires constant communication, exchange of ideas and mutual motivation (Noble, 1999). The process of strategic management is divided into four main phases (Mencer, 2012):

1. Environmental analysis - the study of the environment involves the collection, verification and provision of information to members who make decisions within the company by analyzing internal and external factors.
2. Strategy formulation - during the formulation phase, the company sets the vision, mission and business objectives, determining the necessary resources, investment priorities and the duration of the strategy implementation process.

3. Implementation of the strategy - the phase in which the strategic plans come to life. Successful implementation of the strategy is key to the success of the business venture. At this stage, it is extremely important to provide employees with the appropriate amount of resources so that they can perform ongoing activities.
4. Strategy evaluation - includes measuring business performance. It is necessary to take care that the evaluation monitors the implementation of the strategy, i.e. that the company establishes an adequate system of quantitative and qualitative indicators that truly reflect the quality of the strategy implementation process.

It can be concluded that the phases of the strategic management process are divided into several stages that go through and they concern the very diagnosis of key factors that could affect the strategy itself. In the second phase, strategies are usually generated that could complement the main strategy and in the next phase, a selection of strategies that have the best chance of achieving the goal for which they were set takes place. The last part of the strategic planning itself refers to the development of the strategic plan itself, and defining the basic bases on which it will be based for implementation.

Strategic planning is a process that includes determining future directions of action and determining why some actions are implemented, how to take them, when and who will take them. Strategic planning can be defined as a process or concept that includes the skills of anticipating directions of change, influencing them and controlling their nature and directions of action.

There are three types of strategic planning that are essential to every organization: corporate, business and functional. When you are leading a strategic initiative for executing a level strategy, you are creating a new business model. When you are leading a strategic initiative for executing a business-level strategy, you are improving several or all of the elements of a business model. When you are leading a strategic initiative for executing a functional level strategy, you are optimizing one or more of the elements of a business model. Analysis of an organization's strengths and weaknesses is a key concept of strategic management. Other than the internal analysis, an organization also undertakes external analysis of factors such as emerging technology and new competition. Strategy formation is a concept that entails developing specific actions that will enable an organization to meet its goals. Strategy formation entails using the information from the analyses, prioritizing and making decisions on how to address key issues facing the organization. Additionally, through strategy formulation an organization seeks to find ways of maximizing profitability and maintaining a competitive advantage. Strategy implementation is putting the actual

strategy into practice to meet organizational goals. The idea behind this concept is to gather all the available and necessary resources required to bring the strategic plan to life. Organizations implement strategies through creating budgets, programs and policies to meet financial, management, human resources and operational goals. For the successful implementation of a strategic plan, cooperation between management and other personnel is absolutely necessary (Maleka, 2014).

### 2.3. Previous research

There is no knowledge of similar research to date. Some previous research has included the implementation of the strategic management process and strategy implementation.

Frigo (2002) explores management strategy from two perspectives, as a business strategy and business execution, parallel and interconnected processes that are both essential for a firm to achieve a peak in financial performance. Over the years, he has conducted surveys on how performance measurement systems, which are based on business process strategy, are changing to meet new business processes. Measuring the success of the company's operations on the application of strategic planning and from the obtained survey results, a separation of the company's profitability and performance strategy was observed. He states that measures are needed to improve performance measurement and strategic management to create added economic value for the company. Frigo, Mark L. concludes that there are huge improvements in performance measurement systems as organizations focus on initiatives like the Balanced Scorecard and firms try to find ways to measure performance that are more clearly related to business strategy.

According to Kaplan and Norton (2005), the fact is defined that it is better to have a weaker plan that is well implemented than an excellent plan that is only partially implemented in the company or not implemented at all.

Hrebiniak (2006) states the fact that the process of strategy implementation is more important than the strategy itself. It says that a bad strategy can hinder the strategy implementation process, but a good strategy implementation can overcome the shortcomings of a bad strategic plan. He describes the implementation of the strategy as a very demanding and risky process of strategic management. Martin (2010) agrees, explaining that the implementation of the strategy is a key activity of the entire strategic management process. It is stated that in the first place, it is about the implementation of the strategy, about what the company is capable of doing in practice.

Sloan (2006) studying the experiences of strategic management concludes that non-formal learning is one of the crucial factors in the successful formulation and implementation of a strategy. He points out that 80% of managers formulate a strategy based on experience, and only 20% based on knowledge gained through training. The reason for this is the fact that formal planning models contain a large number of assumptions that cannot be met in the real world because business situations are specific to each other. It can be concluded that traditional approaches to strategy development and implementation are in most cases too formal and ineffective.

Certo et al (2006) investigated the relationship between the management of the top management team and the achieved financial result of the company. Much of the research relied on the survey, although the data are reliable and available, the study results are not consistent. A meta-analysis of several indicators and financial performance provide modest support for direct relationships, but indicate moderate impacts. Further meta-analysis and confirmatory factor analysis enrich the findings by examining potential moderate and intervention factors, which show a partial connection between the top management team and the achieved financial result of the company.

Certo et al. (2020) state that very little is known about research on the idea of the relationship between strategies and company performance due to their heterogeneity. Little is known about how heterogeneous there is in enterprise patterns and how this could affect empirical tests of theories used by strategy scholars. They investigated performance heterogeneity by examining distributions of solid performance measures (e.g., ROA, ROS, EPS, etc.). They found that extreme levels of distortion and courtesy differed significantly in different measures, samples, transformations, and years. Simulations have been created that mimic distributions and it has been found that such non-normality negatively impacts the efficiency and robust regression with value added. It points out that quantile regression is suitable for modeling the variables that follow a normal distribution and represents an attractive approach for researchers examining firm performance. The primary implication of their research is that the extreme non-normality of performance measures makes it difficult for researchers to support theoretical frameworks when using models that focus on average relationships (multilayer models, etc.).

### 3. Research methodology

The subject of the research includes determining the importance of adopting and implementing long-term strategic plans for long-term profitability of the company. The research starts from the fact that strategic planning is extremely important and necessary for successful long-term business operations and only business entities

that continuously develop long-term strategic plans can make a positive shift in their strategic orientation to meet modern market needs and have the ability to survive and progress on the market. In case the company's management does not approach the development and implementation of strategic plans, it is necessary to emphasize the importance of continuous strategic planning to achieve profitability. This research sought to empirically prove the importance and benefits for the adoption of strategic plans for achieving corporate profitability.

Many of the measures needed to tell the story of the strategy may already be present, but in the vast majority of cases they must be supplemented with new and innovative metrics to ensure the execution of strategy (Niven, 2006: 303).

The defined problem and the subject of the research led to the fundamental goal of the research. The aim of the research in this paper is to determine the importance of strategic planning and implementation of the plan as a factor in the successful operation of the company in order to achieve long-term competitiveness and profitability. So, the goal of the research is to answer scientifically based how much the implementation of the strategy contributes to the profitability of the company?

In accordance with the defined problem and the subject of the research, the following hypotheses were set:

*H1: The degree of development and implementation of the company's strategy is positively and significantly statistically related to the realization of the net profit margin (ROS)*

*H2: The degree of development and implementation of the company's strategy is positively and significantly statistically related to the return on equity indicator (ROE)*

*H3: The degree of development and implementation of the company's strategy is positively and significantly statistically related to the earnings strength indicator (TZS)*

Testing the set hypotheses led to concrete scientific knowledge and conclusions about the effectiveness of the implementation of the company's strategy and how much the implementation of strategies contributes to the successful operation of the company. It was also learned how much and to what extent the management and business owners attach importance to the adoption and implementation of the strategy. The analysis of the situation was used to understand the current situation on the adoption and implementation of the strategy was conducted on a sample of business entities in the Republic of Croatia. Data were collected by the survey method and analytical procedures were used in their processing. Statistical methods were used to process the collected data using the SPSS Statistics 17.0 program. The method of abstraction and the method of generalization led to certain knowledge about the researched problem, on the basis of which scientific knowledge about the confirmation or undefined research hypotheses was gained.



Based on the aim of the research, the research sample included companies of different industries, different ownership structures and different sizes. For this scientific research for data collection, a sample of 150 companies from the Republic of Croatia was used, but only 53 feedback surveys were obtained, which form the final sample.

The independent variable (Strateg) was obtained by a weighted average score for the answers to the questions obtained from the survey questionnaire. Dependent variables for all hypotheses (ROS, ROE, TZS) were calculated from the company's financial statements as at December 31, 2017 for which validly completed survey questionnaires were obtained.

For data collection, the survey of opinions and attitudes conducted with an interview questionnaire was used. The survey questionnaire consists of several sections. In its introductory part, the subjects were briefly explained the subject and goal of the research. The questions were designed primarily as closed questions, as questions with offered enumeration answers, to which the respondents answered by choosing the offered answers, or questions with offered intensity answers, to which the respondents answered by evaluating the stated statements. The questions with the offered intensity answers had a Likert scale with five intensities of agreement or disagreement, where the intensities were as follows: 1 - absolutely disagree; 2 - disagree; 3 - neither agree nor disagree; 4 - agree; 5 - absolutely agree. For individual questions from the survey questionnaire, scaled answers were offered as follows: 1 - never; 2 - rarely; 3 - sometimes; 4 - often; 5 - very often. The independent variable of the regression model (Strateg) was obtained by a weighted average score for the answers to the questions obtained from the survey questionnaire are shown in Table 1.

**Table 1:** Claims use in testing the degree of design and implementation of enterprise strategy

How often does your company revise a strategic plan in line with the company's mission and vision?
The company strategy is sufficiently implemented in your company.
In your opinion, the adoption and implementation of the strategy is necessary for every company.
Your company's strategy takes the form of a designed and implemented strategy.
Your company adopts a formal long-term strategic plan.

**Source:** *Processing author*

For the independent variable of the regression model (Strateg) obtained by collecting data using the Likert scale, we calculated the internal consistent reliability of the scale by calculating the Cronbach alpha coefficient, which is shown in Table 2.



**Table 2:** Cronbach's alpha coefficient for the statements used to obtain the variable Strateg

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,544	,642	5

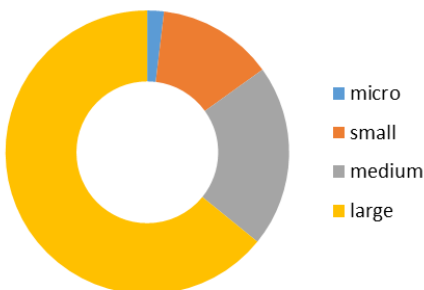
Source: Processing author

Table 2 shows the calculated Cronbach's alpha coefficient of 0.544 while the correlated alpha Cronbach model that is not based on standardized items has a value of 0.642, which indicates (not completely) but a good internal consistency of the elements in the measurement scale. Given the probability that the survey questionnaires were completed only by those respondents who are interested in the research topic, it was not possible to exclude the bias of the respondents in completing the survey questionnaire.

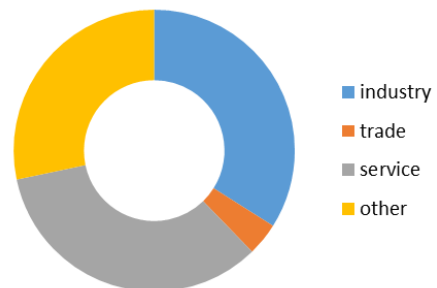
#### 4. Research results

The obtained research results are presented below and for greater clarity, the results are presented as answers to the set goals and hypotheses of the research. There were valid surveys of 53 appropriate questionnaires for data analysis. Of the observed sample by size, most were large enterprises 64.15%, followed by medium-sized enterprises 20.75%, while small and micro enterprises were 13.21% and 1.89%. According to the activity, there were 33.96% of industrial enterprises, while 3.77% belonged to the trade activity, 33.96% belonged to the service activity, while 28.30% belonged to other activities of the observed enterprises from the sample. The structure of equity of the observed companies is as follows: domestic private ownership 35.85%, domestic state ownership 45.28% and combined domestic and foreign ownership is 18.87% of companies in the sample for data analysis.

**Chart 1.** Companies by size

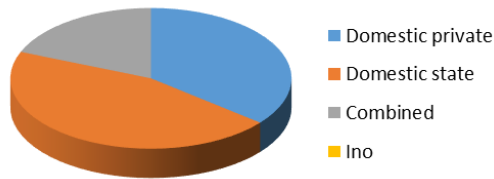


**Chart 2.** Enterprises by activity



Source: Processing author

Source: Processing author

**Chart 3.** Enterprises by type of equity

**Source:** Processing author

In general, the correlation coefficient proves the relationship between two variables, which can be high or low, positive or negative. Very high positive correlations are shown by variables that have a positive sign and statistical significance of 0.01 (under the label “\*\*\* Correlation is significant at the 0.01 level (2-tailed).”). Low correlation is shown by variables that have a statistical significance of 0.05 (under the label “\* Correlation is significant at the 0.05 level (2-tailed).”).

The correlation coefficients between the observed variables (degree of strategy implementation, net profit margin, return on equity, earnings strength) are shown in Table 3, which shows that there is a significant correlation between strategy implementation and basic earnings, while with other indicators no significant association is seen.

**Table 3:** Correlation coefficients of variables

		Strateg	ROS	ROE	TSZ
Strateg	Pearson Correlation	1	,185	,225	,316*
	Sig. (2-tailed)		,185	,105	,021
	N	53	53	53	53
ROS	Pearson Correlation	,185	1	,300*	,669**
	Sig. (2-tailed)	,185		,029	,000
	N	53	53	53	53
ROE	Pearson Correlation	,225	,300*	1	,212
	Sig. (2-tailed)	,105	,029		,127
	N	53	53	53	53
TSZ	Pearson Correlation	,316*	,669**	,212	1
	Sig. (2-tailed)	,021	,000	,127	
	N	53	53	53	53

\*. Correlation is significant at the 0.05 level (2-tailed).

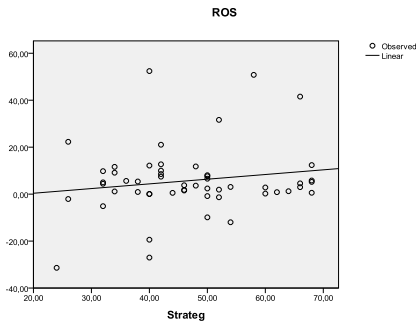
\*\*. Correlation is significant at the 0.01 level (2-tailed).

**Source:** Processing author

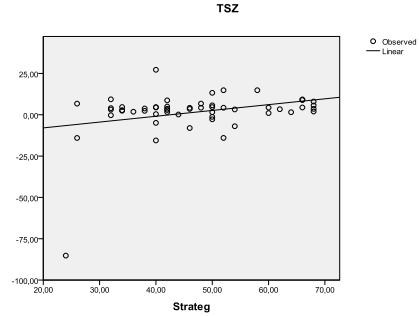
The variables shown in Table 3 show that the implementation of the strategy has a small correlation almost negligible with the net profit (0.185) margin indicator, while slightly better with a return on equity of statistical significance of 0.05, while a more significant correlation between the implementation of the strategy and the indicator of the basic strength of earnings (0.316) of statistical significance is 0.01.

There is a linear positive relationship between the degree of development and implementation of strategy and financial performance (ROS, ROA, TSZ) of the sampled companies.

**Chart 4.** Scatter diagram implementation strategy and indicators ROS **Chart 5.** Scatter diagram implementation strategy and indicators ROE

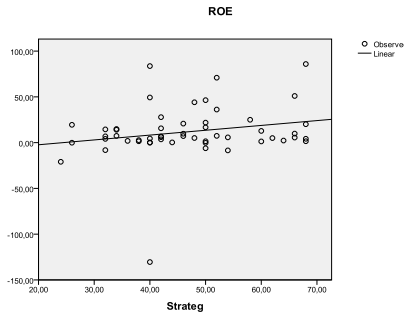


**Source:** Processing author



**Source:** Processing author

**Chart 6.** Scatter diagram implementation strategy and indicators ROS



**Source:** Processing author

Graphs 4, 5, and 6 show the scatter plots for the observed variables from the research sample. It can be seen from the above graphs that the correlation, although not large, exists and that the variables are positively correlated with each other. The scatter plots for the observed variables show the research results from which a partial linear correlation is visible.

The highest determined correlation between the observed variables is 0.669, which represents a good correlation of significance of 0.01 and does not indicate a problem of multi-correlation. The elimination of the problem of multi-correlation of variables was confirmed based on the calculation of the variance inflation factor (VIF) of the values shown in Table 4. The VIF values are 1,902; 1,099; 1.812 and as there is no single view on what is the value of VIF that points to the problem of multi-correlation, it is often assumed that it is a value of 2.50 as an acceptable level.

Given the obtained VIF values for the regression model of the variables included in this study, there is no problem of multi-correlation. Durbin-Watson for the summary regression model is 2.085 with the number of degrees of freedom 3.49, it is determined that the regression model has no problem of autocorrelation of relation errors, while the correlation coefficient R is 0.331, there is a positive correlation as shown in Table 5.

**Table 4:** Variance inflation factor (VIF)

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	ROS	,526	1,902
	ROE	,910	1,099
	TSZ	,552	1,812

a. Dependent Variable: Strateg

Source: Processing author

**Table 5:** Data on the summary regression model of the observed variables

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,331 <sup>a</sup>	,110	,055	,59502	2,085

a. Predictors: (Constant), TSZ, ROE, ROS  
b. Dependent Variable: Strateg

Source: Processing author

By testing the regression model, the coefficient of determination is 0.110 and it is not possible to talk about good representativeness of the model, it was determined 11% variation of the variable Strateg, which is statistically significant at the level of 0.05 significance (Sig. = 0.000) can be seen in Table 6. By testing the regression model, the observed variables from the sample did not prove statistically significant since their statistical significance was not confirmed. ROS shows the opposite direction of movement in relation to the indicator Strateg (Sig. = 0.857;  $\beta$  = -0.034), ROE (Sig. = 0.481;  $\beta$  = 0.100) and TSZ (Sig. = 0.086;  $\beta$  = 0.318), and a slight strength of statistical test, type II error.

**Table 6:** Teat results regression model

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,472	,093		37,355	,000
	ROS	-,001	,008	-,034	-,181	,857
	ROE	,002	,003	,100	,710	,481
	TSZ	,014	,008	,318	1,754	,086

a. Dependent Variable: Strateg

Source: Processing author

By conducting this research, the values of multiple correlation coefficient (R), determination coefficient (R Square), corrected correlation coefficient (Adjusted R Square), standard error of regression estimation (Standard Error of the Estimate), and DW indicator were calculated. The coefficient of determination  $R^2$  is a measure of the utility of the model.

**Table 7:** Regression model implementation strategy and indicator ROS

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.164 <sup>a</sup>	.027	.008	14.60998	.027	1.412	1	51	.240	1.931

a. Predictors: (Constant), Strateg  
b. Dependent Variable: ROS

**Source:** Processing author

From the correlation coefficient R we can see that the correlation between the variables is very small (0.164). The coefficient of determination  $R^2$  is closer to zero than one, so we cannot talk about good representativeness of the model. As for the F ratio, we can see that the empirical F ratio is higher than the theoretical value, based on this with a given level of significance 0.05 and with the number of degrees of freedom (1.51) the H1 is partially accepted, generally cannot be accepted. The implementation of the strategy in companies is positively but not significantly related to the net profit margin indicator. Durbin-Watson has a value of 2 which indicates the absence of auto correlation of relation errors.

**Table 8:** Regression model implementation strategy and indicator ROE

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.216 <sup>a</sup>	.047	.028	29.03900	.047	2.508	1	51	.119	2.111

a. Predictors: (Constant), Strateg  
b. Dependent Variable: ROE

**Source:** Processing author

From the correlation coefficient R we can see that the correlation between the variables exists but it is small. The coefficient of determination  $R^2$  is closer to zero than one, so we cannot talk about good representativeness of the model. Regarding the F ratio, we can see that the empirical F ratio (2,508) is higher than the theoretical value (0,119) and with a given level of significance 0.05 and with the number of degrees of freedom (1.51) the obtained data confirm H2. The degree of implementation of the strategy in companies is positively and partially related to the return on equity indicator. The Durbin-Watson has a value of about 2 which indicates the absence of an auto correlation of the relation errors.

**Table 9:** Regression model implementation strategy and indicator TSZ

Model Summary <sup>a</sup>											
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson	
					R Square Change	F Change	df1	df2	Sig. F Change		
1	,304 <sup>*</sup>	,092	,074	13,45269	,092	5,185	1	51	,027	2,192	

a. Predictors: (Constant), Strateg  
b. Dependent Variable: TSZ

Source: *Processing author*

From the correlation coefficient R we can see that the correlation between the variables exists and is not insignificant (0.304). The coefficient of determination  $R^2$  is closer to zero than one and the F ratio is higher than the theoretical value, with a given level of significance 0.05 and the number of degrees of freedom (1.51) the obtained data confirm the hypothesis, that the implementation of the strategy is statistically positive power of earnings and H3 is confirmed.

## 5. Constraints of the model and a proposal for future research

Awareness of management and all employees about strategic planning is a key prerequisite for long-term successful business. Empirical research on the relationship of strategic management processes and profitability of the company is based on the conclusions of the survey of attitudes and perceptions of respondents about the degree of development and implementation of strategy in the company is also one of the limitations of the research. In examining attitudes and perceptions related to previously defined statements was used Likert's measurement scale in the compilation of which it is not possible to completely exclude the subjectivity of the researcher, just as it is not possible to exclude the subjectivity of respondents when expressing agreement or disagreement. This method of data collection was chosen because previous research has shown that respondents are often reluctant to provide data on specific measured values because they consider it a trade secret, which can then be overcome by applying the Likert scale in data collection. One of the limitations of the model is that the conclusions are based on the observations of a relatively small sample of respondents, which may call into question the possibility of their generalization. Given that the model is based on the results of statistical data processing in which multivariate analysis methods are applied, which allows processing a large number of variables, the proposal for further research includes a larger sample and other variables to gather additional information and possibly determine patterns of behavior of similar companies characteristics or circumstances in which they operate. As there is no knowledge about similar research, it was not possible to make a comparative analysis of the obtained results with previous research.

Given the statistical significance of the sample of observed dependent variables (Sig. = 0.857; 0.481; 0.086) and Type II error - the strength of the statistical test ( $\beta$  = 0.034; 0.100; 0.318) as well as a relatively small sample of research and the inability to exclude the impartiality of respondents repeat the research on a larger more representative sample.

## 6. CONCLUSION

The implementation of this research was intended to prove the extent to which the implementation of the strategy is statistically related to the successful operation of the company. The strategy enables long-term planning of the direction in which the company will act in the future, as well as the prediction of possible directions of action. The implementation of the strategy in companies is positively related to the successful operation of the company. The implementation of the strategy is positively but not significantly related to the net profit margin indicator (0.164), while it is positively and partially related to the return on equity indicator (0.216) and there is a statistically positive correlation with the basic earnings strength indicator (0.304). Although the correlation is not large, it exists, while the variables have a positive correlation with each other. A partial linear correlation can be seen from the scatter plot for the observed variables.

The conclusion is that H1 and H2 are partially and H3 fully confirmed by correlation and regression testing, that strategic planning is an extremely important and essential factor for stable growth and development of the company. The conclusion is that the implementation of the strategy has an important contribution to the successful operation of the company.

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## POVEZANOST STRATEŠKIH PROCESA UPRAVLJANJA I POSTIGNUTE KORPORATIVNE PROFITABILNOSTI: DOKAZI IZ HRVATSKE

### SAŽETAK

*Za strateški menadžment se može reći da se razvio tokom vremena i svakako će se nastaviti razvijati. Kako bi poduzeća bila što uspješnija u svom poslovanju neophodan im je metodološki pristup izrade strateškog plana. Neuspješna implementacija strateških planova je jedan od temeljnih razloga zbog čega poduzeća propadaju ili stagniraju. Implementacija strategije je kompleksan proces jer je posljedica kompleksnih odnosa. U skladu s navedenim, provedeno je empirijsko istraživanje na uzorku od 52 poduzeća Republike Hrvatske. Predmet i cilj istraživanja bio je znanstveno utvrditi važnost donošenja i implementacije dugoročnih strateških planova. Iz provedenog istraživanja došlo se do glavnih rezultata da stupanj implementacije strategije nije u značajnoj mjeri povezan s pokazateljima neto profitne marže (ROS 0,164) i povratom na vlastiti kapital (ROE 0,216), dok je djelomično povezan sa pokazateljem temeljne snage zarade (0,304), ali je značajan za uspješno poslovanje poduzeća.*

*Provedbom istraživanja došlo se do saznanja kako je strateško planiranje izrazito važan i bitan čimbenik za stabilan rast i razvoj poduzeća. Implementacija strategije ima važan doprinos uspješnom poslovanju poduzeća.*

**Ključne riječi:** *Strateško planiranje, profit, dugoročna profitabilnost poduzeća*

**JEL:** *O12, O29, C49, G32*

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