

UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

LARA JELENC

**THE IMPACT OF STRATEGIC MANAGEMENT SCHOOLS AND
STRATEGIC THINKING ON THE PERFORMANCE OF
CROATIAN ENTREPRENEURIAL PRACTICE**

DOCTORAL DISSERTATION

Ljubljana, 2008

UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

LARA JELENC

**THE IMPACT OF STRATEGIC MANAGEMENT SCHOOLS AND
STRATEGIC THINKING ON THE PERFORMANCE OF
CROATIAN ENTREPRENEURIAL PRACTICE**

DOCTORAL DISSERTATION

Ljubljana, 2008

Statement of authorship

I, *Lara Jelenc* hereby state that I'm author of the doctoral dissertation titled *The Impact of Strategic Management Schools and Strategic Thinking on the Performance of Croatian Entrepreneurial Practice*.

Ljubljana, 11th May 2009

Signature: _____

VPLIVI ŠOL STRATEŠKEGA MANAGEMENTA IN STRATEŠKEGA RAZMIŠLJANJA NA USPEŠNOST HRVAŠKE PODJETNIŠKE PRAKSE

Povzetek

Doktorska disertacija zajema dva koncepta, ki sta samoumevna, ko se govori o strateškem managementu – strateško razmišljanje in šole strateškega managementa ter njun vpliv na finančni uspeh velikih hrvaških podjetij.

Šole strateškega managementa so koncepti, ki predstavljajo dominantno paradigmo, skozi katero top manager gleda na proces strateškega managementa. Predlagala sem novo klasifikacijo šol strateškega managementa glede na dva kriterija: vlogo top managerja v samem procesu in časovni horizont sprejemanja procesa strateškega managementa. Šole, ki jih predlagam, so: klasična šola, okoljska šola, konkurenčna šola in sodobna šola. Vsaka od teh šol je predstavljena s pripadajočimi idejami in kritičnim pogledom na njihove prispevke. V nadaljevanju lahko rečem, da je strateško razmišljanje premalo raziskan koncept, ki predstavlja jedro strateškega managementa. Ni pomembno koliko metod, orodij in tehnik top managerji uporabljajo, saj nobeno od naštetih ne more biti nadomestilo za strateško razmišljanje. Glede na problem opredelitve kognitivnega karakterja strateškega razmišljanja, je zelo nevhvaležno definirati, meriti, trenirati ali učiti, kako se strateško razmišlja.

Empirična raziskava je pokazala tri različne načine, kako izkazati sposobnost strateškega razmišljanja. Poimenovala sem jih HEAR, FIRM in PORT. Najbolj primeren način razvoja sposobnosti strateškega razmišljanja med velikimi podjetji na Hrvaškem je HEAR (če se uporablja kriterija ROA) ali FIRM (če se uporablja kriterij ROE). Najbolj primeren pristop k procesu strateškega managementa je konkurenčno-sodobna šola (če se uporablja kriterij ROA) ali okoljska šola (če se uporablja kriterij ROE). Konstrukt HEAR neposredno in pozitivno vpliva, PORT neposredno in negativno vpliva, FIRM pa nima vpliva na vrednost ROE v podjetju. Klasična šola strateškega managementa negativno vpliva na ROE, medtem ko okoljska in konkurenčno- sodobna šola sploh nimata direktnega vpliva na ROE.

Področje managementa in strateškega managementa dojemamo kot kontraindiktorna, vendar osebno verjamem, da gre za zelo jasen in urejen sistem principov in pravil, ki so našemu umu, dojetanju in znanju zaenkrat še nepojmljivi.

Ključne besede: strateško razmišljanje, šole strateškega managementa, velika hrvaška podjetja, top managerji.

THE IMPACT OF STRATEGIC MANAGEMENT SCHOOLS AND STRATEGIC THINKING ON THE PERFORMANCE OF CROATIAN ENTREPRENEURIAL PRACTICE

Summary

This doctoral dissertation deals with two quite self-understanding concepts of strategic management - strategic thinking and schools of strategic management and their impact on the financial results in large Croatian firms.

Strategic management school is a concept that represents the dominant paradigm of the top managers' point of view on the process of strategic management. I suggested a new classification of the schools of strategic management based on two criteria- the role of the top manager in the process and time horizon: Classical school, Environmental school, Competitive school and Contemporary school. First, each school is individually presented and supported by ideas and contributions of different leading researchers and the critical overview of these contributions. Strategic thinking is an under-researched concept that is at the very heart of strategic management. No matter how many methods, tools, and techniques top managers use, none of them could replace strategic thinking. Due to the difficulties in articulating the cognitive character of strategic thinking, it is very elusive to define, measure, train or learn how to think strategically.

The empirical research recognized three distinctive ways of the strategic thinking capability: HEAR, FIRM and PORT. The most suitable way of developing strategic thinking capability among large Croatian firms are HEAR, according to ROA or FIRM, according to ROE. The most suitable approach to the process of strategic management according to ROA, is the Competitive-Contemporary school, and according to ROE the Environmental school. The construct HEAR has direct and positive impact on ROE; PORT has direct and negative impact whereas FIRM has no direct impact on the value of ROE. The Classical school of strategic management has a negative impact on ROE while the Environmental and Competitive-Contemporary schools have no direct impact on ROE at all.

The world of management, and strategic management in specific, is perceived as a world of paradoxes and contradictions but actually, I believe it is a very neat and orderly system of principles and rules yet unknown to our senses, perception, and knowledge.

Key words: strategic thinking, schools of strategic management, large Croatian firms, top managers

TABLE OF CONTENTS

LIST OF TABLES	III
LIST OF PICTURES	IV
INTRODUCTION.....	1
Description of the Problem.....	1
Purpose and Goals.....	3
Hypothesis of the Doctoral Dissertation	4
Description of the Scientific Methods.....	4
Scientific Contribution of the Research.....	5
Structure of the Doctoral Dissertation.....	5
1. STRATEGIC THINKING AS THE PREREQUISITE OF STRATEGIC MANAGEMENT	6
1.1. Defining Strategic Thinking	6
1.2. Approaches to Understanding Strategic Thinking	13
1.3. Strategic Planning and Strategic Thinking Relations	19
1.4. Features for Defining Strategic Thinking.....	24
1.5. Conclusion on Strategic Thinking.....	28
2. THE SCHOOLS OF STRATEGIC MANAGEMENT.....	29
2.1. Defining School of Strategic Management	29
2.2. Classical School of Strategic Management	31
2.3. Environmental School of Strategic Management	41
2.4. Competitive School of Strategic Management	50
2.5. Contemporary School of Strategic Management.....	56
2.6. Critical Approach to Schools of Strategic Management.....	61
2.6.1. Critical Approach to Classical School of Strategic Management	62
2.6.2. Critical Approach to Environmental School of Strategic management	66
2.6.3. Critical Approach to Competitive School of Strategic Management.....	68
2.6.4. Critical Approach to Contemporary School of Strategic Management	72
2.7. Conclusion on the Schools of Strategic Management.....	75

3. EMPIRICAL RESEARCH ON THE IMPACT OF STRATEGIC MANAGEMENT SCHOOLS AND STRATEGIC THINKING ON THE PERFORMANCE OF CROATIAN ENTREPRENEURIAL PRACTICE	75
3.1. Research Project	75
3.1.1. Defining the Features of the Constructs of Strategic Thinking	76
3.1.2. Defining the Features of the Constructs of Strategic Management Schools	82
3.1.3. Defining the Features for Assessing Firm Performance.....	87
3.2. Research Sample	89
3.3. Questionnaire Structure.....	90
3.4. Statistical Methods.....	97
4. THE RESULTS OF THE EMPIRICAL RESEARCH	98
4.1. Hypothesis about Strategic Thinking	98
4.2. Hypothesis about Strategic Management Schools	120
4.3. Hypothesis about Relations between Features of Strategic Thinking and Schools of Strategic Management	125
4.4. Hypothesis about Relation between Features of Strategic Thinking, Schools of Strategic Management and Financial Results of the Firm	128
CONCLUSION.....	135
The Goals of the Research and the Overview of the Hypotheses.....	135
Theoretical/Methodological Contributions and Implications for Practitioners.....	140
Delimitations of the Empirical Research	145
Suggestions for Further Research	146
REFERENCES	147
SOURCES	156
APPENDIX I LIST OF PREMISES AND THEIR CODES	1
APPENDIX II THE QUESTIONNAIRE.....	4
DOCTORAL DISSERTATION SUMMARY IN SLOVENE.....	1

LIST OF TABLES

TABLE 1: DEMOGRAPHIC INFORMATION ABOUT TOP MANAGERS AND THE FIRMS RESPONDING THE QUESTIONNAIRE	95
TABLE 2: THE DISTRIBUTION OF POPULATION AND RESPONSES ACCORDING TO INDIVIDUAL COUNTY CHAMBERS	97
TABLE 3 CONSTRUCTS- FEATURES OF STRATEGIC THINKING TESTED IN THE QUESTIONNAIRE	98
TABLE 4: SELECTED FREQUENCIES OF STRATEGIC THINKING FEATURES	99
TABLE 5: DESCRIPTIVE STATISTICS OF STRATEGIC THINKING CONSTRUCTS	100
TABLE 6: GENERAL DEMOGRAPHICS OF STRATEGIC THINKING PREMISES	103
TABLE 7: RELATIONS BETWEEN THE PREMISES AND CONTINGENCY FACTORS	105
TABLE 8: RELATIONS BETWEEN THE STRATEGIC THINKING PREMISES AND SCHOOLS OF STRATEGIC MANAGEMENT	108
TABLE 9: RELATIONS BETWEEN THE STRATEGIC THINKING PREMISES AND FINANCIAL RESULTS	109
TABLE 10: RELIABILITY TEST FOR STRATEGIC THINKING CONSTRUCT	110
TABLE 11: PATTERN MATRIX OF STRATEGIC THINKING	113
TABLE 12: LIST OF FACTOR LOADINGS AND PREMISES FOR EACH CONSTRUCT	115
TABLE 13: RELIABILITY OF CONSTRUCTS AFTER FACTOR ANALYSIS	117
TABLE 14: PATTERN MATRIX OF THREE CONSTRUCTS	118
TABLE 15: INTERNAL RELIABILITY MEASURED BY CRONBACH ALFA BEFORE THE FACTOR ANALYSIS	120
TABLE 16: PATTERN MATRIX OF THE SCHOOLS OF STRATEGIC MANAGEMENT	120
TABLE 17: RELATIONS BETWEEN SCHOOLS OF STRATEGIC MANAGEMENT AND CONTINGENCY FACTORS	124
TABLE 18: RELATIONS BETWEEN CONSTRUCTS OF STRATEGIC THINKING AND CONSTRUCTS OF SCHOOLS OF STRATEGIC MANAGEMENT	125
TABLE 19: GRAPHICAL PRESENTATION OF SIGNIFICANT RELATIONS BETWEEN CONSTRUCTS OF STRATEGIC THINKING AND SCHOOLS OF STRATEGIC MANAGEMENT	126
TABLE 20: CORRELATIONS BETWEEN THE STRATEGIC THINKING CONSTRUCTS AND SCHOOLS OF STRATEGIC MANAGEMENT	127
TABLE 21: THE AVERAGE FINANCIAL RESULTS OF THE CONSTRUCTS IN ALIGNMENT AND THOSE NOT IN ALIGNMENT OR IN A NEGATIVE ALIGNMENT FOR THE PERIOD 2004-2006	128
TABLE 22: CONSTRUCTS OF STRATEGIC THINKING AND FINANCIAL RESULTS	129
TABLE 23: CONSTRUCTS OF STRATEGIC MANAGEMENT SCHOOLS AND FINANCIAL RESULTS	129
TABLE 24: REGRESSION ANALYZES OF FINANCIAL RESULTS AND CONSTRUCT OF STRATEGIC THINKING AND STRATEGIC MANAGEMENT SCHOOLS	130
TABLE 25: DIRECT AND INDIRECT EFFECTS OF THE CONSTRUCTS AND VALUE OF ROE	131
TABLE 26: SUMMARY OF HYPOTHESES, RESULTS, AND NOTES	136
TABLE 27: THEORETICAL AND EMPIRICAL FEATURES OF STRATEGIC THINKING	142
TABLE 28: OVERVIEW OF THE MOST RELEVANT EMPIRICAL RESULTS	144

LIST OF PICTURES

<i>PICTURE 1: THREE KINDS OF THINKING PROCESS</i>	12
<i>PICTURE 2: REALIZING DIFFERENT SEEING OF THE MEANING OF STRATEGIC THINKING</i>	15
<i>PICTURE 3: DIALECTICAL RELATION BETWEEN STRATEGIC THINKING AND STRATEGIC PLANNING</i>	22
<i>PICTURE 4: BASIC MODEL OF THE DESIGN SCHOOL OF STRATEGIC MANAGEMENT</i>	36
<i>PICTURE 5 BASIC MODEL OF THE PLANNING SCHOOL OF STRATEGIC MANAGEMENT</i>	39
<i>PICTURE 6: A RESOURCE- BASED APPROACH TO STRATEGY ANALYSIS: A PRACTICAL FRAMEWORK</i>	55
<i>PICTURE 7: THEORETICAL MODEL OF EMPIRICAL RESEARCH</i>	76
<i>PICTURE 8:THEORETICAL MODEL OF THE IMPACT OF STRATEGIC THINKING CONSTRUCT AND THE SCHOOLS OF STRATEGIC MANAGEMENT CONSTRUCT ON THE PERFORMANCE (ROE)</i>	131
<i>PICTURE 9: EMPIRICALLY BEST FIT MODEL OF THE IMPACT OF THE STRATEGIC THINKING CONSTRUCTS AND THE SCHOOLS OF STRATEGIC MANAGEMENT ON THE PERFORMANCE (ROE)</i>	133

INTRODUCTION

Description of the Problem

One of the earliest definitions of strategic management defines strategic management as a scientific discipline that helps top managers scan the environment, define the mission and the vision, strategy formulation, its implementation, control and evaluation (Steiner, 1969, pp. 31-61) so they could achieve set goals by coordinating teams, departments, business units and the firm as a whole. The responsibilities of top managers are challenging since they have faced with the complex system of competitive relations, constant changes in the environment, different interests, and a long-run scarcity of resources, ideas, and motives. Due to the complexity of relations within the firm and outside the firm, strategic management thus becomes an indispensable task.

Researchers considered strategic management, originally labeled as business policy, as an activity, as a function and finally as a discipline. The research started to grow in quantity, taking different directions, and depth analysis. The role of the strategist started to be inevitable. The strategist became a person in charge of coordinating of department efforts by gathering their ideas, energy, and results. He/she delegates tasks and target goals to the departments and coordinates these departments toward a common goal. Since he/she is seen as the representative of the firm in the environment and the representative of the environment in the firm, the top manager has to be functional in three time frames: past, current and future. The results of the past determine success or failure and thus burden to the current moment. Since the future has to be planned and prepared in the current moment, the present is also burdened by the future. Whereas the department managers and employees need just the perspective of the current moment, the top manager must have skills to balance, combine, and separate the three time horizons, as he/she is the only responsible for all three.

Strategic thinking is a component of strategic management that is becoming more and more popular. It presents the capability of cognitive skills needed for the development of the infrastructure of strategic management. At the same time, the process of strategic management keeps changing and therefore influences the changes in strategic thinking.

The attempt to create theories about the strategic management that would be valid globally; regardless the firm size is almost an impossible mission since strategy is an organic concept that changes quite often. Testing theories, which have the “*ceteris paribus*” assumptions of numerous business variables, is unrealistic in strategic management and will certainly result in an unreliable result. There have been some attempts to draw a strict line between a universally valid theory and a particular situational theory (Andrews, 1971).

There is a variety of questions that are believed to be “the question” of strategic management. The popularity of these questions or topics lies in the fact that they are not only of interest to academics, but also to practitioners in firms and consultancies of different organizational forms.

This doctoral dissertation microscopically analyses topics that are not new. They are rather commonsense topics, self-understood in strategic management literature. Everybody assumes to comprehend, utilize, develop, and manage strategic thinking capability. They perceive the process of strategic management as something natural and normal. Both the concept of strategic thinking and the concept of strategic management schools have been developed within their own

constructs by conducting the ultimate test of usefulness- the financial results of large Croatian entrepreneurial firms.

Each strategist has the attribute of a strategic thinker. No matter what they do or do not think, it is considered that they play the leading role in strategic thinking activities. When achieving successful results, top managers are awarded and congratulated. The way of managing, thinking and behaving is presented very publicly, becoming the *recipe* for all other managers to follow. When facing failure, their actions, decisions, and consequences will be criticized and scrutinized in public, as the thing no manager should do. When looking closely at the lists of does and donts, they seem to be quite the same. In both cases, the top managers thought that they were thinking strategically, but they had different outcomes. Strategic thinking is natural and normal when the situation and the results are perfect and successful. However, it is a dramatic activity when the situation and the results prove to be negative and unsuccessful.

When considering the features of strategic thinking, the question that poses itself is how to develop, train, teach, and acquire competences and skills to achieve a higher level of strategic thinking capability that will result in a better business success, whether it is seen as an increase in stock value, profit, and/or market expansion.

Schools of strategic management are the concepts that represent the dominant paradigm of the top managers' point of view about the process of strategic management. The reason for creating schools of strategic management lies in the attempt to structure the forest of strategic management ideas, concepts, and theories based on the criteria set by different approaches to the process of strategic management. The attempt is not only to simplify but also to classify these attempts in order to offer a critique on their value added to the development in the strategic management field and new insights for further research. Numerous authors (Mintzberg, 1994, Whittington, 1993, McKiernan, 1996, Chaffee, 1985, Mintzberg, Ahlstrand, Lampel, 1998, Haberberg, Rieple, 2001, et.al.) offer a variety of views on understanding the process of strategic management. By combining the existing views, I offered a new classification consisting of the classical, environmental, competitive, and contemporary school of strategic management (Jelenc, 2004).

Classical school of strategic management is a common name for all those ideas that represent the cornerstone of strategic management as a field. Within the classical school of strategic management, there are the conceptual and the planning school, as the two evolutionary stages of the classical school of strategic management. The underlying idea of the conceptual school of strategic management is to establish a fit between the outer and inner environment. Christensen et.al. (1965) and Andrews (1971, 1987) specify the process of strategy formulation as a deliberate and conscious act.

The planning school of strategic management is characterized as a *more formal procedure, formal training, and the formal analysis with a bunch of numbers* (Mintzberg, Ahlstrand, Lampel, 1998). According to this school, the focus is on the analyses within and outside the firm, which help create arguments as features of the planning procedure. *To predict and to prepare* (Ackoff, 1983 cited in Mintzberg, Ahlstrand, Lampel, 1998, p.51) is the motto in planning the future.

Environmental school of strategic management represents those approaches to the process of strategic management that denote the influence the environment has on the process of strategic management. According to this approach, it is important to understand and predict those factors from the environment that affect firms. Top managers in firms can apply the principles set by the adaptive school (Lindblom 1968 cited by Mintzberg, 1973, p. 406) according to which, the firms have to adapt in order to survive. The political school of strategic management evolves around the influence that conflicted interest groups, which are trying to impose their own direction and interest, have on the process of formulating the strategy (Pettigrew, 1977, Child, 1972, Simon, 1977). The cultural school of strategic management stresses the importance that sets of values, norms, and habits have in the firm. The systemic school of strategic management (Whittington, 1993) says that the individual's behavior in the firm is determined by his/her sociological background or more precisely by the family, state, professional background, religion, nationality, gender, and social status.

Competitive school of strategic management emphasizes that the development, nourishment, and sustainability of the competitive advantages represent the main reason of the firm's success. The positioning and analytical schools of strategic management develop the models of competitiveness on several levels: industry level (Porter, 1979, 1980, 1991), firm level seen through the entrepreneurial school (Schumpeter, 1934, 1947) or individual level seen through the visionary school (Drucker, 1970, Mintzberg, 1973). The resource-based strategy (Grant, 1991, Barney, 1991, Teece, 1990, Penrose, 1959, Prahalad in Hamel, 1990) describes strategy formulation according to the resources and capabilities that must be considered as strategic and at the same time dynamic and sustainable in order to accomplish a long-run success.

Contemporary school of strategic management underlines the need for mutual understanding. They believe that competitive tensions reduce the business rationale of all competitors, thus making them weaker (Chaharbaghi, Willis, 1998). It is more important to learn and gain knowledge and notions on how to be different and how to collaborate in order to achieve goals and success. The cognitive school (Wick, 1987, Smircich, Stubbart, 1985) tries to explain the way in which strategy is formulated in the head of the strategists. The learning school (Cyert, March, 1963, Normann, 1977, Argyris, Schön, 1978, Senge, 1990) thinks that the process of strategic management is rather complex. However, they believe it can be successfully created and managed by continuous learning about the process and about the ways of improving it.

Different approaches to the process of strategic management result from different time settings in which they emerged. In practice, the approaches differ due to various reasons. When we know the top managers' preferable school of strategic management, it is possible to predict how he/she will react and decide in a specific situation. In addition to that, the environment of the firm promotes a specific type of strategic thinking and a specific school of strategic management.

Purpose and Goals

The purpose of the research is to denote the impact strategic thinking and schools of strategic management have on the performance of Croatian entrepreneurial practice.

The first stage of the research was to give an overview of the theoretical approaches on strategic thinking and schools of strategic management. This served as the foundation for creating their constructs. The next stage included defining the relation between the two of the created

constructs describing the way top managers of large Croatian firms manage and lead. The following stage was to relate these two constructs with the firms' financial results and suggest the most appropriate type of strategic thinking and approach to the process of strategic management in managing large firms in Croatian economy.

The goals of the doctoral dissertation emerged from the purpose and can be grouped into several points:

- Giving an overview of the theoretical contributions to strategic thinking; a critical overview of the academic suggestions and analyses; a new definition of strategic thinking and the list of the most distinguished features,
- Giving an overview of the schools of strategic management; a critical overview of the contributions of different leading researchers and their suggestions; a new classification of strategic management schools,
- Testing theoretical approaches by empirically analyzing large Croatian firms, and
- Testing the impact of strategic thinking and schools of strategic management on the financial results of the firms in order to define the most appropriate type to be used. This will contribute to the qualitative and quantitative features of strategic management in large Croatian firms.

Hypothesis of the Doctoral Dissertation

The main hypothesis of the doctoral research is that the notion about the features and relations between strategic thinking and schools of strategic management and the financial results of large Croatian firms could be employed to grasp the understanding of qualitative and quantitative features as the most appropriate forms of strategic management in the Republic of Croatia.

The first group of hypotheses is focused on creating the construct of strategic thinking and employability of features. Once the features of strategic thinking are put in relation to contingency factors, financial results, and schools of strategic management more information is acquired. The second group of hypotheses is based on the creation of the constructs of schools of strategic management. The results are enriched by putting in relation the constructs of schools with the contingency factors and financial results. The third group of hypotheses is directed to setting the relation between strategic thinking and the schools of strategic management and describing their impact on the financial results of the large Croatian firms.

Description of the Scientific Methods

Methodologically speaking, this dissertation consists of two parts. The first part gives the theoretical background of the strategic thinking capability and the schools of strategic management. Both of the concepts are described by gathering and presenting contributions of various researchers, practitioners, and consultants the research of the strategic management discipline. Each of the concepts is accompanied by a critical view in order to offer a more in-depth analysis of the phenomena. In this part of the dissertation, I used description, compilation of the researchers' contribution, analysis, synthesis and the classification method for both the strategic thinking capability and the schools of strategic management. Based on the ideas on strategic thinking and schools of strategic management I created two constructs in order to test

the theoretical assumptions by using empirical data. The empirical research analyzes the financial data of large Croatian firms in order to realize the impact of strategic thinking and the schools of strategic management on financial results.

In the empirical part of the doctoral dissertation, I used statistical methods and a questionnaire as the research instrument. The aim of the questionnaire is to test the constructs of the strategic thinking competency and the constructs of the schools of strategic management and to grasp general data about large firms. The financial results were gathered from a variety of secondary resources (publications, web sites, software database). The statistical analysis was performed with the help of the software package SPSS. In addition to descriptive statistics, I used bivariate regressions, factor analysis, and the structural equation modeling.

Scientific Contribution of the Research

The scientific contribution of this doctoral research is presented in the following listings:

- Overview of the strategic thinking literature, contributions, critiques, and directions for further research,
- The historical overview of the development of strategic management with special emphasis on the process of strategic management,
- Definition of strategic thinking and the development of the construct of strategic thinking,
- A new classification of the school of strategic management based on the existing models of strategic management,
- Empirical testing of the features of strategic thinking and schools of strategic management and their mutual interaction,
- Testing the most appropriate and the least appropriate ways of strategic thinking and schools of strategic management and their evolutionary trends in the Republic of Croatia, and
- Suggestions how to train and educate practitioners involved in strategic thinking.

Structure of the Doctoral Dissertation

The doctoral dissertation is composed of five parts. The first part introduces and describes the problem, the purpose, and the goals of the doctoral dissertation, the description of the scientific methods used, the scientific contributions of the dissertation and the structure of the doctoral dissertation.

The second part is dedicated to the theoretical notions about the strategic thinking competency. At the beginning of the second part, I have introduced the general term, approaches, existing definitions, critique, and the features that could be used to evaluate the strategic thinking competency.

The third part deals with the theoretical implications of the schools of strategic management. After the general part describing the creation of the concept of the schools of strategic management, each of the schools is individually presented with the main ideas, premises, arguments, and researchers' contributions. The final segment of this part gives the critique on each of the schools of strategic management.

The fourth part concentrates around the empirical research, i.e. the methodological features of the research. It explains the formulation of the constructs and the financial data needed for the empirical research. Finally, I presented the main demographic data and tested construct validity.

In the fifth part, I interpret and discuss the empirical results in accordance with my hypotheses.

The doctoral dissertation ends with the conclusion, list of references and sources, appendices and the doctoral dissertation summary in Slovene.

1. STRATEGIC THINKING AS THE PREREQUISITE OF STRATEGIC MANAGEMENT

The journey in the strategic thinking literature was challenging and confusing in each step of the way. The field of strategic management is relatively new (McKiernan, 1996, p. XIII) and phenomenon like strategic thinking even younger. Therefore, it was very hard to find out about the common ground, which scientists share about the content of strategic thinking as the first step. The disputes, disagreement and ambiguity, at large, is still present about the strategic management field, especially strategic planning as such (Mintzberg, 1981, p.67) and the situation is made even more complicated by introducing of a more recent term –strategic thinking. As the literature approaches present day, the researchers emphasize strategic thinking as the evolutionary step of strategic management field. Thus, this thesis was even more challenging.

The business sector is overwhelmed with the numerous management models, methodologies, and approaches for more effective and efficient managing. The focus should not be to find the perfect and the most applicable business model; rather the focus should be on people. Models are just tools how to organize, coordinate people in order to accomplish goals and strategy. The flaws in models are actually flaws in assumption how the people will behave. The focus slowly changes from the models to the subject of implementation-people. The assumptions and self-understanding concepts that have been taken for granted, start to be questioned. How do we actually think strategically?

1.1. Defining Strategic Thinking

In the search for the definition of strategic thinking, there are present a variety of approaches. At one point in time, one starts to ask himself if this is the same word as the one being discussed. That is why my presentation of strategic thinking definition will be at the first stage listing of the possible suggestions, then the critical analysis of all of them, as the conclusion I will present the features that should be taken into consideration while creating a definition of strategic thinking and addition to that offer my own definition of strategic thinking.

Although the concept of strategic thinking has been in the literature for over a quarter of a century, the term is often used interchangeably with other aspects related to the development of organizational direction, such as “strategy”, “strategic management” and “strategic planning” (Bonn, 2001; Liedtka, 1998). As Mintzberg notes ... *many practitioners and theorists have wrongly assumed that strategic planning, strategic thinking, and strategy making are all synonymous, at least in best practice* (Mintzberg, 1994, p.110).

While the notion of strategic thinking has been increasingly used in the literature over the past two decades, it has up to the 1990's been applied mainly in generic terms, and thus without a specific meaning. Only recently has management research come to identify a more fine-grade understanding of the strategic thinking notion (Ghemawat, 1999, p.3, Novicevic, 2002, pp. 992-1001).

However, these multiple usages blur the distinctive role of strategic thinking (Heracleous, 1998). In addition, as early as 1982, Steiner, Miner, and Gray commented that there are *serious semantic problems*. Addition to the fact that words in the business policy field has been used interchangeably; they are used as both, nouns and verbs (Steiner, Miner, Gray, 1982, p.14). Strategic thinking is used in a variety of different conceptual frameworks with considerable differences (Heracleous, 1998; Liedtka, 1998, 2000; Graetz, 2002; Bonn, 2001, p. 63; O' Shannassy, 2003, p.54).

It is a matter of common sense to realize the existence and importance of strategic thinking as a concept. Furthermore, one might conclude that strategic thinking implicitly existed in all the strategic planning and strategy models. It is believed that strategic thinking is so self-evident, perceived as a natural element of strategic management. Strategic thinking is accepted almost as axiom in strategy field. A brief review of main streams in strategy formulation literature shows that "thinking" has always been one of the least studied aspects of strategic processes and almost ignored in most academic conceptualizations (Torset, 2001, p.3-12). Since strategic management studies the activities of managers, and since managers must think about strategy, why do not researchers allocate more time to studying how strategic managers think (Stubbart, 1989, p.326)? The development of strategic thinking is a topic that remains under- researched. This happens despite the fact that the turbulence and complexity of the environment are forcing managers at increasingly lower levels of organizations to acquire the skill (Bennis, 1989; Hartman and Crow, 2002; Jones, 1991; Liedtka and Rosenblum, 1998, Mason, 1986; Pearson, 1990, Stumpf, 1989; Thakur and Hoffman, 1987; Zabriskie and Huellmantel, 1991). One of the most important reasons is that the capacity to quantify this critical talent has been somewhat elusive. This is due, in part, to the difficulty in determining and measuring the cognitive components of strategic thinking (Rosche, 2003, p.1). Because of the fact that it is hard to articulate strategic thinking there are many interpretations and mystification about the content, methods, ways of learning and improving this skill.

Strategic thinking is a self- reflection of the firm's future. Firm is consisted of a number of people and therefore strategic thinking has to be conceived more like an organizational cognitive process than like an individual one (Torset, 2001, p.10). Strategic thinking manifests as a process, performed, and supported by a group. Group interactions, interdependencies, and force groups influence strategic thinking. Environment, specially the firm, needs to support strategic thinking having a dialogue with the individuals performing strategic thinking. When realizing strategic thinking in practice no one really undermines the interactions that make strategic thinking successful.

Strategic thinking should address the following levels (Bonn, 2005):

- The characteristics of an individual strategic thinker,
- The dynamics that take place within a group of individuals, and
- The organizational context.

Schumpeter (1934) develops a vision of strategy, which is fundamentally simple: managers hold the keys to understanding their environments; they are or become leaders because of their ability to apprehend needs and changes in their environment: and they are fully in charge of strategy. Strategic thinking in this sense is then assimilated to the vision that entrepreneurs have of their organization and environment and „strategy formation process is, at best, half conscious, deep-rooted in the experience and intuition of the leader, whereas he/she conceived himself/herself strategy or he/she adopted the one conceived by others” (Mintzberg, Ahlstrand, Lampel, 1998). Strategic thinking does not exist in an organizational view. The only way we can find traces of thinking in this approach is to have a look on cognitive models, highlighted by studies of managers' cognitive maps for instance (Calori and Sarnin, 1993, Munier, 1994). The organization does not think, or rather, it thinks through the analysis of its manager-leader.

However, individuals who are being organized, and the effectiveness of the group do not depend only upon the scheme of grouping and function, but upon the quality of the elementary units. Most of their strategic thinking is done in the privacy of their own minds or in what Harris (Harris, 1994, p. 109-120) called „contrived mental dialogues“. Team or group of people can perform strategic thinking, but in each of the cases, individuals make their own concepts in their heads and then get support from others. The individual level represents the core of strategic thinking- skeleton of strategic thinking while the final effects can be depicted only in the wider organizational context.

The next level apart from individual is team, group, department, and organizational context in which strategic thinking evolves into additional variations. The impetus of features of strategic thinking is an individual but the real meaning of the concept is acknowledged to be supported by organizational context and conversations (Liedtka, 1998, 1999; Liedtka and Rosenblum, 1996).

Since the strategic thinking process originates with the work of individuals (Weber, Peters, 1983) and natural place to look for understanding is cognitive science, the study of attention, perception, memory, knowledge structures and task performance (Reeves, 1996). Strategic thinking will take place only if an individual has the motivation and the ability to take part in the strategic thinking process. It is unrevealing the secret of unknown, at the same time acknowledged and accepted phenomena. The core idea of strategic thinking starts with the individual person and its capability and willingness to articulate and work on the features of strategic thinking. It is argued that individual must possess certain cognitive and personality variables in order for the possibility of strategic thinking to be realized. The features of strategic thinking presented in the text exist in each of the individual no matter of the level of education, experience, and years of age. The existence of these features is not questionable. What is questionable is the level of usage of these features and the level of usage of the combination of these features in practical situation.

An ideal strategist will not be aware of these features and probably will not think of them, their development, and the combination. The usage of features and the usage of the combinations of features will be just happening and result in an expected outcome. It will happen spontaneously; at least it will be appearing in that way. Moreover, it will happen in an unconscious way and no deliberate attention is given to either the features or their combinations. The situation with less than ideal strategist is a little bit different. They feel lacking “something” and that is not easy to define. After realizing, what element is lacking in the combination of strategic thinking features it would be desirable to work on that specific feature. There is the possibility to create a process that will ideally lead to a vicious circle (Hamptden- Turner, 1990) of creative thinking and

operationalization. In that circle one would not dominate the other, but working in a complimentary manner to discover creative strategies, operationalize them and, maintain a critical attitude to avoid "strategic drift" (Johnson, 1987), the process where a firm's strategy progressively moves away from market realities because of various types of inertia.

Strategic thinking does not just happen spontaneously. Top managers need time to practice the strategic planning discipline. Employees need to be trained in a way of planning, decision-making, implementation, and assessment. Professional development should be looked at as a critical investment in the future effectiveness of the organization (Canole, 1999, p.71).

Some researchers go one-step further, distinguish strategic thinking, and strategic acting. They regard thinking as the mental activity while acting as physical and actual activity. The definition emphasizes the fact that you are not thinking strategically unless you act strategically. The indicator of strategic thinking and acting is in the behavior demonstrated. Kaufman comments that thinking and acting strategically are essential ingredients in planning and delivering successful education (Kaufman, 1992, p. xiii). Strategic thinking is what you do on a daily basis that defines what kind of future you want for your children and then how you insure it in every aspect of your work (Kaufman, 1992, according to Canole, 1999, p. 59).

Factors that have been found to affect the strategic thinking process include the following: opportunity or threat (Frederickson, 1985, Dutton and Jackson, 1987, Mintzberg, 1978, Starbuck, Grave and Hedberg, 1978, Staw, Sandelands and Dutton, 1981), uncertainty (Smart and Vertinsky, 1977, Milliken, 1987, Dutton and Webster, 1988) and feasibility (Dutton and Duncan, 1987). The specific aspects of a strategic thinker's work environment that affect the strategic thinking process include the following: firm performance (Frederickson, 1985, Staw, Sandelands and Dutton, 1981, Miles and Snow, 1978, Gronhaug and Falhenburg, 1989, Hambrick, 1981, Dutton and Jackson 1987), and the social/political environment (Delbecq, 1967, Meyer, 1982, Millet, 1988, Lyles and Mitroff, 1980).

Several strategy theorists and practitioners have indicated that strategic thinking can be learned as a skill and become a habit (Beckam, 1991; Hanford, 1995; Liedtka, 1998; Ohmae, 1982, Pearson, 1990). The every day training makes the habit of accepting this kind of learning as the simulative mental exercise. Strategic thinking is the logical extension of the individual thinking transforming the long-term firm's goal into practice.

Multiple industry studies in three industrialized countries specifically identify the lack of strategic thinking among executives as the major detractor of economic performance (Bonn, 2001, Essery, 2002, Jones, 1991, Mason, 1986, Thkur and Hoffman, 1987, Zabriskie and Huellmantel, 1991). In these studies, the deficits in strategic thinking were considered problematic regardless of the organization's use of the formal planning systems or specific analytical tools. Additionally, increasing environmental turbulence has intensified the need to enhance strategic thinking, and the growth of semiautonomous subsidiaries has forced strategic responsibility downward in organizations (Bennis, 1989, Hartman and Crow, 2002, Jones, 1991, Liedtka, Rosenblum, 1998, Mason, 1986, Pearson, 1990, Stumpf, 1989, Thakur and Hoffman, 1987, Zabriskie and Huellmantel 1991 cited in Goldman, 2005, p.1).

There is a tendency to give a name to all the factors that are a kind of shady or unexplained in the situation when facing unknown or not being able to explain the failure. Strategic thinking has the tendency to be considered a label that can be given to all the factors that are not precisely known,

explained, recognized, or acknowledged. It is interesting that some of the studies mention that top manager's feel that they lack strategic thinking, without really understanding what it means. Strategic thinking is a concept that we think we understand, we do not know how to attain it, but definitely, we know when we are missing it.

The problem is that the most effective learning method- experience doing strategic thinking- may be difficult to achieve. Organizational strategy does not change frequently, limiting the opportunity for experience; "practice" at strategy can give rise to costly missteps, and the results of strategic thinking usually do not occur for some time, limiting feedback to the learner (Crouch and Basch, 1997; Garratt, 1995; Hanford, 1995; Steiner, Miner and Gray, 1982; Zabrieskie and Huellmantel, 1991 cited by in Goldman, 2005, p.2).

The following are "definitions by impression" while they express those impressions and attitudes that correspond to their personal experience or general attitude towards strategic thinking. They are not scientifically proven definitions that have been tested for validity and reliability, but rather subjective opinions about perceiving strategic thinking. The following definitions are the ones that express the first and the deepest impression about strategic thinking, neither the features nor comprehended definitions of strategic thinking.

Starting with the simplest definition: strategic thinking as the way top managers think about which objectives they want to achieve and which actions they will implement to attain this (Torset, 2001, p.1). After reading this sentence, the concept of strategic thinking becomes obsolete word. Clear and sound definition is actually a commonsense definition of strategic management in the case when top manager is the one and only strategist in the firm and the whole scope of strategic management process is put into two simple questions: what is the objective and how to implement it.

Peters defines strategic thinking as a method for finding a vision and obtaining "perpetual invigoration" for that vision. He also notes that management has been unable to secure the second part of this definition. This definition combines two extreme views on strategic thinking. It is about ensuring creative environment in order to trigger ideas, motivation, innovations, and vision. The second view is a methodological approach in order to maintain such an atmosphere for a longer period using not just creative impetus, but rather methods and procedures. Creativity and innovations seems to happen and disappear and in rare cases, their high level can be maintained for a longer period while operating effectively and efficiently. The strategic level of decision-making is based less on the rational and more in the spiritual source of vision and therefore it is extremely hard to accomplish methodical way how to be creative, innovative within certain procedure.

Strategic thinking has also been defined as a method of gathering competitive intelligence or information that may have strategic value (Drobis, 1991 cited in Pellegrino, Carbo, 2001, p. 375). Zabriskie and Huellmantel (Zabriskie and Huellmantel 1991 cited in Pellegrino, Carbo, 2001, p. 376) defined it as the prelude for designing an organization's future. When discussing about strategic thinking, definitions are not precise and therefore they just comment one part of the completely big strategic thinking picture.

Strategic thinking is a distinctive management activity whose purpose is "to discover novel, imaginative strategies which can re-write rules of the competitive game: and to envision potential futures significantly different from the present" (Heracleous, 1998, p. 485). This statement does

not tell us what strategic thinking is, but rather, establishes it as a key component of strategy – making. It also provides rationale for identifying “strategic thinking” as an activity that is both distinctive and compelling (Goldman, 2005, p. 17).

Closely to strategic thinking, there is a term- strategic intelligence, as the way to plan and find the best route or scenario to obtain an advantageous outcome (Loehle, 2000, p.2). There have been a few attempts to measure dimensions that are generally strategic thinking, although they are called strategic intelligence (Service, 2006, p.61). Service (Service, 2006, p.61) suggests the definition of strategic intelligence; it is the ability to interpret clues and develop appropriate strategies for addressing the future impact of those clues. We must progress from strategic planning, to strategic thinking and ultimately strategic leadership through developing better Strategic intelligence (SQ)- this unique intelligence includes timing, instinct, political shrewdness, curiosity, flexibility, expertise to simplify, imagination, and the ability to interpret circumstances as they unfold (Service, Arnott, 2004).

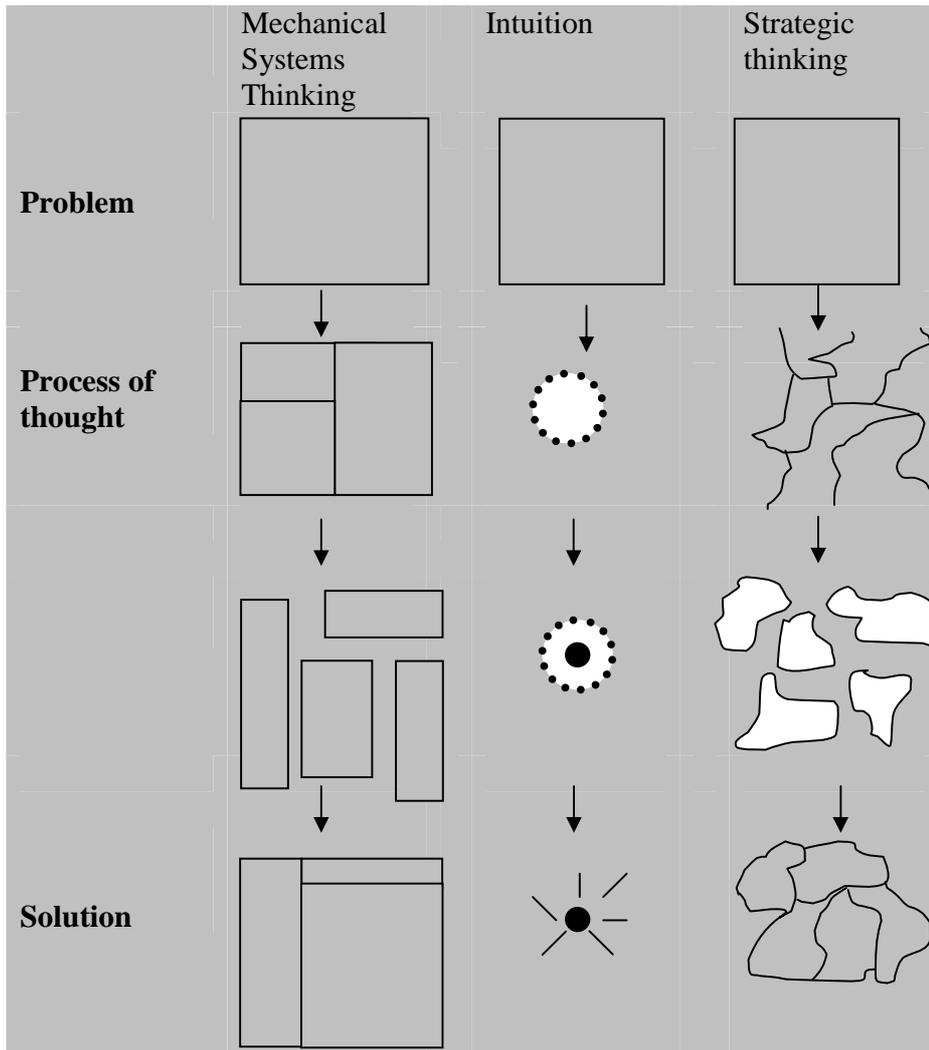
Panel of experts in the USA identified strategic thinking as one of the ten most critical and important issues for future management research (Zahra, O’ Neill, 1998 cited in Bonn, 2001, p. 63). They showed that the majority of senior executives in 35 out of the 100 largest manufacturers in Australia identified lack of strategic thinking as the main problem in their organization.

The terms that are in close relation to strategic thinking is executive intelligence. It turns out that there are specific cognitive aptitudes that largely determine whether an executive succeeds or fails. In addition, these aptitudes form the foundation of a new theory of intelligence. It does not predetermine success in school, rather cognitive skills needed to function normally in business environment. Menkes calls this new theory of Executive Intelligence (Menkes, 2005). Executive Intelligence is a distinct set of aptitudes that an individual must be able to demonstrate in three central contexts of work: the accomplishment of tasks, working with and through other people, and judging oneself and adapting one’s behavior accordingly. On the job, executives are constantly pursuing a variety of goals. They must decide which tasks to accomplish, in what order to do them, and how to carry them out. They must find way to meet their goals through the efforts of and cooperation with other people. Moreover, they must always actively evaluate themselves, identify their own errors, and make adjustments to correct them. It is a blend of critical aptitudes that guide an individual’s decision-making process and behavioral path (Menkes, 2005, p. 4).

The thought in that direction is also the words of Ohmae. Ohmae (Ohmae, 1978 cited by Pellegrino, Carbo, 2001, p. 376) in one of the earliest works on strategic thinking defined it as the combination of analytical method and mental elasticity in order to gain a competitive advantage.

For the strategic mind to work creatively, it needs the stimulus of a good insightful analysis. In order to conduct a good analysis, it takes a strategic and inquisitive mind to come up with the right questions and phrase them as solution-oriented issues (Ohmae, 1978, p.35 cited by Pellegrino, Carbo, 2001, p. 376). Strategic thinking consists of the thought processes involved in gathering and evaluating information on strategic issues for use in the strategic management process. It is the process of acquiring knowledge on strategic issues. Picture 1 shows the three kinds of thinking process.

Picture 1: Three kinds of thinking process



Source: Ohmae, 1982, p. 14

Mechanical system thinking is based on the analysis of the problem according to the known frameworks and models. Solutions offered are actually product of the conventional, linear way of thinking. Either the features are rearranged or the solution is based on only one set of criteria not taking into consideration several other criteria or other perspective on the problem.

Intuitive way of thinking deals with an informal understanding of the problem, realizing the one component, moment, or opportunity that becomes crucial in resolving problem. Conclusion is reached without any real breakdown or analysis, but based on the insight and feeling. Therefore, the solution has a very high degree of risk to fail while it is not based on any analysis or discussion. Insights are depicting as intuitive sensibility or capability to understand the whole structure of new information stream. Schmitz (1980) talks about the sixth sense or *kanu*, which is actually the ability to put together the memorized parts collected from a variety of sources.

When thinking strategically one firstly sees a clear understanding of the particular characteristic of each element of a situation and then makes the fullest possible use of the human brainpower to restructure the features in the most advantageous way. Firstly, strategist analyzes the essence of

each of the constituent parts and its characteristics. Secondly, he analyzes their influence overall. At the end strategist reassembles the features in the desired pattern. The transformation of the original parts is the real value of the strategic thinking. The process is not methodologically defined and there is no prescribed step-by-step approach, but the result is produced by the nonlinear way of thinking. Beside the ability to analyze, the strategist needs to have the ability of intellectual flexibility in order to suggest realistic solutions to the situation that constantly changes. This call for transformation in exposition from one type of logical process, best exemplified in mathematics, to another type, is sometimes called “strategic reasoning”. Strategic reasoning involves picking out a single factor and operating on it alone so that the effect may be said to be caused by the change in that factor. In this kind of reasoning of the everyday world the assumption is that all other things remain equal and that for all practical purposes there is only one effect (Ohmae, 1982, p.203). Problem is defined in a mode that can be directed toward the solution.

According to Mintzberg et al. (1976) the central feature of a strategic issue is its lack of structure. Strategic issues are characterized by novelty, complexity, and open-endedness. Mason and Mitroff (1981) state that strategic problems have no clear formulation and that it is extremely difficult to describe the problem and to determine the criteria by which solutions should be judged. Therefore, the central issue in strategic thinking is the unstructured nature of the issue at hand.

This is just the first phase of unrevealing the essence of strategic thinking from definitions of strategic thinking that are composed out of impressions. Next section will offer analysis of another, deeper level of strategic thinking, with the focus on its more elaborated characteristics.

As the conclusion of this chapter is, the definition that I believe presents the essence of strategic thinking. It is the process oriented. *Strategic thinking is a process in which a person is perceiving, reflecting, feeling, realizing and acknowledging signs that impact the future of the firm, giving them meaning and acting upon them by shaping the impressions, perspective and behavior accordingly.*

1.2. Approaches to Understanding Strategic Thinking

Strategic thinking is a distinctive way of thinking, different from the kind of thinking used by management on a day-to day- basis- referred to as operational thinking- in that it is longer-term and focuses at a high level and on key issues. Hanford (Hanford, 1995) addresses the characteristics of strategic thinking by distinguishing it from operational thinking via the following comparisons (strategic thinking defined first):

- Longer term versus immediate term (specific times not given),
- Conceptual (abstract) versus concrete,
- Reflective/ learning versus action /doing,
- Identification of key issues/opportunities versus resolution of existing problems,
- Breaking new ground versus routine/on-going,
- Effectiveness versus efficiency,
- Hands-off approach versus hand-on approach (done as observation versus interjection), and
- Helicopter perspective (high-level view) versus on the ground perspective.

Hartford is not describing strategic thinking in relation directly to strategic planning, but rather to operational thinking. This difference brings to present strategic thinking in a different light, not opposing already accepted term and meanings of strategic planning but elaborate more on the “think” side of the word. In this way, operational thinking is described more as “doing”, and strategic thinking more as “thinking” part. Making ideal contrast it could get a glimpse that strategic thinking is something distinctive from the rest of the concepts. In year 1995, that distinction was a valuable one, but after the more elaborated and detailed analysis of strategic thinking it becomes obsolete.

One point is certainly clear, strategic thinking is different from the thinking employed by management on a day-to-day basis. Scholars (Crouch and Basch, 1997; Hanford, 1995; Steiner, Miner and Gray, 1982) have noted that its development among experienced executives is likely to involve the unlearning of certain previously accustomed behavior. This is consistent with the recent studies of brain functioning indicating that new meaning is brought about through the release of neuromodulators following a loss of self-awareness and an induced state of altered consciousness (Freeman, 2000). The new meaning could include how they reoriented their thinking from managerial “problem-solving” to the strategic thinking activity of “problem-finding”: locating and exploiting opportunities (Livingston, 1971 cited by Goldman, 2005, p. 6). Strategic thinking is not reserved only for the specific group of people (Torset, 2001, p.1). It is mainly the mode of thinking of top managers. Nevertheless, it is the mode of thinking of each individual in the firm, higher on the hierarchical level in the firm, the larger part of his work demands strategic thinking. Rarely do executive staff personnel in an organization have the ability and the motivation to be strategic thinkers (Bates, Dillard, 1993). This is because the attainment of a high managerial position is the evidence of a possession of operational and not strategic thinking abilities (Bates, Dillard, 1993, p.103).

Making strict and concrete resemblance and opposing them to some other concept, strategic thinking as the concept earns some credits for the reputation and image. What is more, mind of the top manager is confused with all those confrontation and resemblance, making the strategic thinking mystical concept. Bonn (Bonn, 2001, p. 69) emphasizes that strategic thinking questions the prevailing beliefs, concepts, assumptions, and perceptions about the business. One could explore the approach towards strategic thinking as being successfully different, emulating entrepreneurs, finding new opportunities, being future-oriented, being collaborative (Abraham, 2005, p. 5).

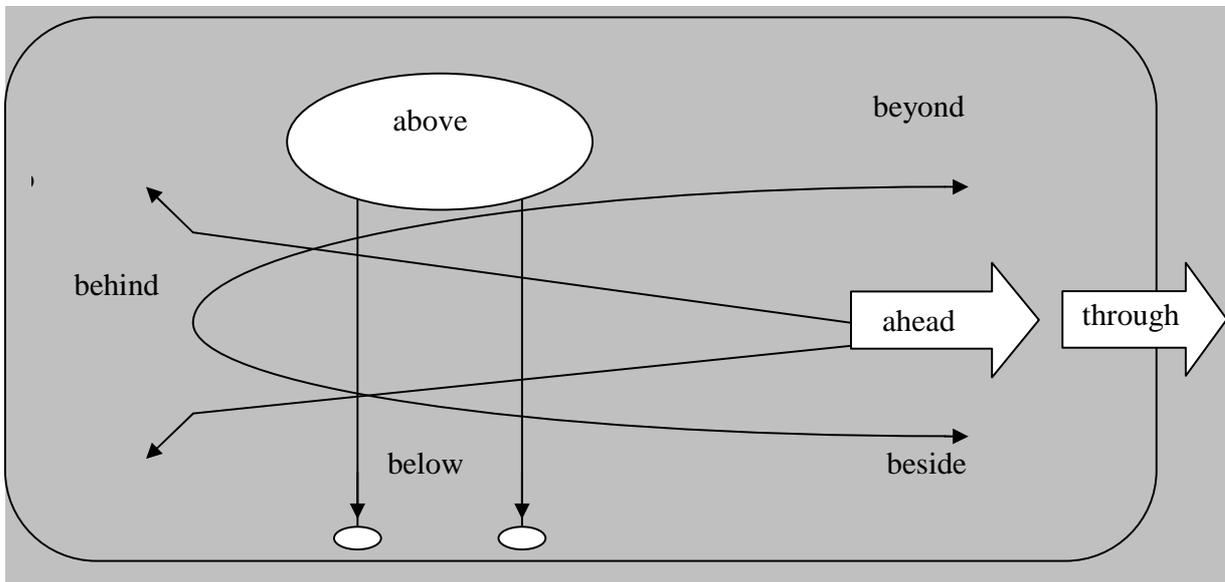
Strategic thinking is a process of educated guess work. It is neither all science nor all art: maybe it is a scientific art, or maybe it is an artistic science. There is no inspired truth to be discovered in charting the destiny of any enterprise. There is only the most enlightened concept for success that is possible given the information, energy, and talent applied to the issues. It requires a certain degree of humility, a willingness to question one’s own certainty, and at the same time the willingness to commit fully to a common cause and get on with it (Albrecht, 1994, p.205).

Mintzberg (Mintzberg, Ahlstrand, Lampel, 1998, p.128) understands strategic thinking as *seeing*, a combination of numerous perspectives, which perceive the problem from different points of views:

- Seeing ahead- see the future of the firm,
- Seeing behind- understands the roots of today in the past,
- Seeing down- perceive the big picture of the problem,
- Seeing below- inductive thinking from close relations,
- Seeing beside- lateral thinking, challenging conventional wisdom,
- Seeing beyond- inventing the world by putting the ideas into the context, and
- Seeing it through- understanding things deeper as presented.

Strategic thinking is the combination of all these ways of *seeing*, and it can be graphically presented as Picture 2.

Picture 2: Realizing different seeing of the meaning of strategic thinking



Source: Mintzberg, Ahlstrand, Lampel, 1998, p.128

Strategic thinking consists of all the Mintzberg's *seeings* perceived at ones. In some situation, seeing beyond is predominant, in some other situation predominant is seeing above, but there could be taken into consideration as many components as showed in the concepts of seeing. It is not possible to take into consideration all the *seeings* in all the possible situations, in some cases there could be the combination of two or more seeings in use.

This concept became the root of the *five minds of a manager* proposition suggested by Gosling and Mintzberg (Gosling, Mintzberg, 2003, p. 55). Namely, they stressed the need for managers to have various "mind-sets," like the reflective mind-set when managing self, the analytic mind-set when managing organizations, the worldly mind-set when managing context, the collaborative mind-set when managing relationships and the action mind-set when managing change. With no ambition to become scientific, but rather practical, this concept introduced several mind-sets that manager should be able to work with, switch from one to another and combine them simultaneously when reaching final business decision. There could be a plenty of similar suggestions that could give a broad picture of views that manager need to take into

considerations. It shows the ideal way of looking at the problem but the way that does not guarantee the success of the decision-making. As everything else in the strategic management field.

There are numerous approaches of understanding strategic thinking. The most used one is the contrasting two extreme ways of strategic thinking - rational and generative way. One extreme of strategic thinking is the rational (De Witt, Meyer, 1998, p. 70), *hard*, analytical approach with a traditional understanding of competition (Nasi, 1991). According to this view, strategic thinking functions as the intelligent machine that is based on the databases and information (Raimond, 1996). When thinking strategically, ratio and logic (Andrews, 1987, p. 100-103) are used in the most advanced modes of analytical argument. Problem is analyzed in a conscious way and all possible options are analyzed as much as the possible problematic options. That kind of approach demands for objectivity and rigorous and consistent use of logic. The first attempt is to gather as much as data possible: process, interpret and the results are being combined when reached the final decision. However, people are bounded in their rationality and therefore do not act completely rational (Simon, 1957, p. 509). That sort of approach could be depicted from the classical school of strategic management.

The second extreme approach to strategic thinking is generative (De Witt, Meyer, 1998, p. 73), lateral (DeBono, 1970) or soft way of strategic thinking, which focus more on values and culture (Nasi, 1991) and regards strategic thinking as an act of creative imagination (Raimond, 1996). Creativity is the key word that triggers strategic thinking and its main characteristic is to be able to disconnect with the orthodox way of thinking (De Witt, Meyer, 1998, p. 70). Business strategies are not results of rigorous analysis but of a specific state of mind (Ohmae, 1982, p.4).

Both of those views are extremes that are very rare in the real business world. Their combination subtly mixes in a variety of situations. This classification is useful in a way that presents the variety of different approaches to strategic thinking. There is no just one single type of behavior or thinking specific, but rather a scale of different approaches that have common characteristic: thinking and approaching the problem using methods that are believed to be the best one in specific circumstances.

Torset (Torset, 2001) proposes one of the possible ways to understand strategic thinking:

- The **nihilist** strategic thinking as an empty concept,
- The **semantics**: strategic thinking as a semantic evolution, and
- The “**anti-planning**”- strategic thinking as a palliative

- **The nihilist strategic thinking as an empty concept**

Porter considers strategic thinking in the form of competitive corporate analysis (Porter 1987, 1996 from Torset, 2001, p.13). Strategic thinking assimilates analysis and tools helpful to gain a better competitive rank.

According to this understanding of the term, *strategic thinking* is just a shallow phrase, one of the many adjective that are used with the way of doing strategy analysis. Strategic thinking is achieved by utilizing analytical tools, which become triggers to use this kind of thinking.

- **The semantics: strategic thinking as a semantic evolution**

Some consider the term strategic thinking as a semantic evolution for either *strategy* or *strategic planning*. Nasi (Nasi, 1991 cited by Liedtka, 1998, p.121) offers a broad description of strategic thinking: “*Strategic thinking extends both to the formulation and execution of strategies by business leaders and to the strategic performance of the total enterprise. It includes strategic analysis, strategic planning, organization, control, and even strategic leadership. Therefore, strategic thinking basically covers all those attribute which can be labeled strategic.*”

In other words, strategic thinking covers all the semantic content of the term strategic management. The following is regarded as the old- fashioned and strategic thinking is like a refreshment of the old content of strategic management. Nevertheless, Nasi’s notion of extending strategic thinking in each of the other features of strategic management can be defended in a way. The main argument could be that strategic thinking is a pretty hardly recognizable conceptual activity that each of those activities consist of, but on the other hand it does not mean that strategic thinking covers all of those features. Rather, on the contrary, all those features have a dose of strategic thinking if they have the adjective strategic.

Wilson (Wilson, 1994, p.14) argues that in a historical perspective of strategic planning “the need for strategic thinking has never been greater... This continuing improvement (in strategic planning) has profoundly changed the character of strategic planning so that it is now more appropriate to refer to it as *strategic management* or *strategic thinking*.”

Because strategic planning is more sophisticated or profoundly researched and researchers and practitioner have deeper insights in the process of strategic planning, this does not mean that we have to change the name of the researched phenomena. Moreover, it could mean that there are new research questions. However, there is no need to change the name just because we know a little bit more about the concept. Even if we changed the name, strategic management and strategic thinking cannot be used interchangeable with strategic planning.

- **The “anti-planning”- strategic thinking as a palliative**

Mintzberg (Mintzberg, 1994 cited by Torset, 2001, p.15) considers that strategic thinking is not only another way of designing strategic management matters apart from strategic planning, but it is a particular way of thinking, with specific characteristics.

He does not oppose strategic planning and thinking on a conceptual basis: he opposes them as two different modes of strategy formulation, planning being even dangerous for thinking: “conventional planning tends to be a conservative process which sometimes encourages behavior which undermines strategic thinking and activity. It can be nonflexible; it can encourage resistance to major strategic changes, and discourages new ideas in favor of status quo extrapolations and marginal adaptations (Mintzberg, 1994, p.167 cited by Torset, 2001, p.15).

By opposing strategic thinking to strategic planning, one creates simple dichotomy that cannot resolve or gain insight into strategic thinking nor strategic planning. It can only demonstrate that they resemble and that there should be something a little bit more than just strategic planning. Mistakes and fallacies of strategic planning happen to be the good sides of strategic thinking, which represent innovation and proposes change.

Hamel and Prahalad (Hamel, Prahalad, 1994, p. 308-311) describe strategic planning as “form filling” and depict strategic thinking using terms like “creativity” or “exploration”. It seems that

strategic thinking had all the wishful characteristics, which practitioners and researcher found out to be lacking in strategic planning. All the negative points of strategic planning was overemphasized and the only way out became strategic thinking. The time and research will show if the strategic thinking fulfill all the wishes and dreams of researchers.

Hamel and Prahalad (Hamel, Prahalad, 1994, p. 308- 310) claim that “strategy” has a credibility crisis and the very notion of strategy has become devalued. They believe that the problem is not with “strategy”, but with the particular notion of strategy that predominates in most companies. In many companies, strategy is essentially tactical planning punctuated by heroic, and usually ill-conceived, “strategic” investments. “Strategic” planning is often functional and tactical planning that barely scratches the surface of deep- down strategy issues. The units of analysis are the existing businesses, each with its own product- market mandate. “Corporate” strategy is simply an amalgamation of individual business unit plans. No wonder strategic planning has lost its luster (Hamel, Prahalad, 1994, p. 310).

Credibility crisis of strategy is actually credibility crisis of strategic planning which mutated to the form of pragmatic, realistic, and incremental plan, which does not have deep insight. The result of that kind of process is that strategy is regarded not as a value added activity and as the time goes on; it becomes obsolete and starts to be meaningless. Strategic thinking has the task to bring back to life the spirit of strategic planning that diminished in the boardrooms with no additional tools and methods, just pure spirit of entrepreneurship, innovation, and strategic thought. Strategic way of thinking demands comprehended and integrative knowledge, capability, and experience. It is both intuition and the ability to analyze, needed to reach solution.

The trap while working on the strategy is detailness, accuracy and the urge for being perfect. Crucial point of strategy is timing of activities, opportunities in the market, reactions, and critical moments for competitors. Above all, the first change that needs to happen is the change in thinking of top managers (Ohmae, 1982, p. 88).

Michael Robert one of the numerous consultants in the field of strategy claims to coin the term strategic thinking back in the 1980. His approach toward strategic thinking is that the goal of strategy is not to keep up with one’s competitors, rather supremacy over one’s competitors. The ultimate goal of strategy is to widen the gap between you and your competitors, not by out muscling them in the marketplace, but rather by out-thinking them in the planning rooms (Robert, 2006, p. x). One must achieve supremacy of thinking before one can achieve supremacy of strategy (Robert, 2006, p. xi).

The practitioner point of view of the strategic thinking story is the one that points out the results of the strategy, pointing the main benefits that strategic thinkers have over the non-strategic thinkers. The essence of thinking is advanced on the level of few steps ahead of the competitor. Robert’s point of view reminds in a way of the modern thoughts originated from Sun Tzu.

Strategic thinking is a process that enables the management team to sit together and think through the qualitative aspects of the business and its environment. The team can then decide on a common and shared vision for the future of the firm (Robert, 2006, p. 32). Too much of the content knowledge may be a major impediment to good strategic thinking. This is because strategic thinking is process- based rather than content-based (Robert, 2006, p. 34).

One of the practitioner's point of view on the strategic thinking is the one that strategic thinking is the type of thinking that goes on in the heads of the CEO and the management team, which attempts to transform this conceptual and abstract vision into a working and dynamic tool that we call a strategic profile. In fact, strategic thinking is akin to "picture painting," whereby the management of an organization literally "draws" a picture or profile of what they want the business to look like at some point in the future (Robert, 2006, p. 51).

Consultants do not use scientific vocabulary and methodological pressure, vividly express episodes and flashes that consultants see as the strategic thinking features. Those views and explanations are very useful but shallow in helping to understand the phenomenon of strategic thinking in depth. Consultants' popular books and best-sellers like 10 steps or 5 minutes offer clarification for some of the aspects of our cognition. Their clients certainly benefit, but this gives just a short-term positive effect on the firm rather than long-term advancement of business efficiency.

1.3. Strategic Planning and Strategic Thinking Relations

When discussing about the relation of strategic thinking with other aspects in strategic management, strategic planning is the only term that is put into the relation with strategic thinking. All other aspects of strategic management (like mission, vision, goals, evaluations, implementations, performance) are too far away from the essence of strategic thinking and thus not comparable. Strategic planning has been for many years considered the very essence of strategic management and therefore this fact could be the proof that strategic thinking is not a trendy term, but the evolutionary step in developing strategic management. It slowly develops from strategic planning trying to overcome the shortfalls of strategic planning. The mistakes and overcomes of strategic planning are the positive sides of strategic thinking.

While developing and searching for its own validity and recognition, strategic thinking is very like a child of strategic management and that is why the relations between strategic planning and strategic thinking are not so clear sometimes, even blurred. The following grouping is an attempt to show how strategic thinking can be put in relation to strategic planning.

One can conclude that there are several mainstream directions:

1. Strategic planning equals strategic thinking

One stream of researchers' thinks of strategic thinking in a same way as the strategic planning. They use the words *strategic thinking* instead just to refresh the planning, without any change in the meaning and they just use it interchangeably. According to this view, strategic thinking should not be presented as a brand new concept while it cannot bring any possible innovation to strategic management. It can paraphrase the essence of strategic planning or just follow the logic of business. The logic of business has not changed a lot. The bottom line is always the same.

This is based on the Michael Porter's work on competitiveness. For Porter "strategic thinking involves asking two critical questions: first, what is the structure of your industry, and how is it likely to evolve over time? ...Second, what is your own firm's relative position in the industry?" (Porter, 1991). The Porter mentions strategic thinking as the analytical mode of thinking that is characterized by specific questions that fit his concepts.

Zabriskie and Huellmantel (1991) suggest a sequential, well-defined six-step process to enable strategic thinking, suggesting that if the thinking is analytical enough and if it covers all those steps in detail, it could be regarded as real strategic thinking. Eden (1990) described strategic thinking process based on cognitive mapping, approaching it with analytical mode.

Porter, Zabriskie, Huellmantel and Eden use strategic thinking as a convergent and analytical process, in the same way as other authors would use the term strategic planning. Therefore while reading their texts about strategic thinking, one should think about strategic planning instead. They characterize the strategic thinking in the same way as others write about strategic planning.

2. Strategic planning is prerequisite of strategic thinking (or the other way round)

- **The real purpose of strategic planning is to improve strategic thinking**

Structured planning tools are used to aid creative thinking (De Geus, 1988; Wack, 1985). De Gauss (De Gauss, 1988, p. 74) suggests that the value of the planning process is not in the plan itself, but in enriching the mental models of managers involved in the process. In this way, strategic planning and its numerous tools are just triggers for the final and more important activity- strategic thinking. Strategic thinking is the activity that should be the focus in the firm, continuously inspiring, and giving impulses to other employees in the firm.

“Knowing what to achieve, being able to justify the direction, and then finding the best ways to get there: being strategic is proactive and differs from being reactive to problems as they surface: strategic thinking (and acting) is the most important product of strategic planning” (Kaufman, Griese, 1995, p.90). Moreover, the CEO can seriously jeopardize or even destroy the prospects of strategic thinking by inconsistently following the discipline of strategic planning (Lorange 1980, p. 12 cited by Liedtka, 2000, p. 195). Skepticism stresses little evidence to suggest that strategic planning promotes strategic thinking and acting as defined by change theorists such as Fullan (1993), Snader (1998), Mojkowski (1998), Matheson and Matheson (1998).

- **Strategic planning has over time evolved into strategic thinking**

Strategic planning has changed dramatically since its inception in the early 1970s. Having survived its original design flaws, it has evolved into a viable system of strategic management/ strategic thinking (Wilson, 1994).

Strategic management is portrayed as an evolution from strategic planning, which is said to have become less elitist in its origins and more open and sophisticated in its methods. In this point of view, Wilson puts the sign of equation between strategic thinking and strategic management and that is questionable and probably too quick conclusion.

The first strategic planning cycle does not seem to be enough to foster habits of strategic thinking and acting. However, there are key lessons to be learned from the first planning experience that will make the second strategic planning cycle stronger and more effective. Prolonged strategic planning can teach participants how to think and act strategically (Canole, 1999, p.34). Strategic planning is the process that can occur only after strategic thinking (Mintzberg, 1994; Barratt, 1995; Zabriskie, Huellmantel, 1991).

- **One exclude the other**

Formal planning and the associate forces, that encourage it, may discourage the mental state required to conceive new strategies- a state of openness and easy flexibility that encourages people to step back from operating reality and question accepted beliefs. In short, formal strategic management can prove incompatible with real strategic thinking (Mintzberg, 1994, p.114).

Thus, depending on one's view of strategy formulation, strategic thinking may or may not be related to an organization's strategic planning process. It may be used in advance or in reflection of the organizational actions. Strategic thinking might occur at a particular time or anytime. These differences in views of strategy formulation add to the difficulty of understanding how strategic thinking develops: the discrepancies regarding when such thinking is occurring makes it challenging to identify how it is taking place (Goldman, 2005, p.21).

The emergent view of strategy formulation sees strategic thinking as more of a fluid phenomenon (Goldman, 2005, p.20). Consistent with the "learning school" of Mintzberg, Ahlstrand and Lampel (Mintzberg, Ahlstrand, Lampel, 1998), strategic thinking is used to discover the patterns in the actions already taken: the strategy. In the emergent view, planning is optional, but thinking is not. The details of strategy emerge; the process still requires strategic thinking. Steiner, Miner and Gray (Steiner, Miner, Gray, 1982) noted that strategic thinking is always occurring, viewing it as an on-going management activity (Goldman, 2005, p.20).

1.4. Dialectic relation of strategic thinking and strategic planning

Due to the more research and stress on strategic thinking, this group of researchers tries to make the difference between strategic thinking and strategic planning more visible and significant. They try to accomplish this via confronting strategic thinking and planning in their underlying differences and then finding a link to relate them logically. The main point of resemblance is that strategic planning is used to refer to a programmatic, analytical thought process and strategic thinking to refer to a creative, divergent thought process.

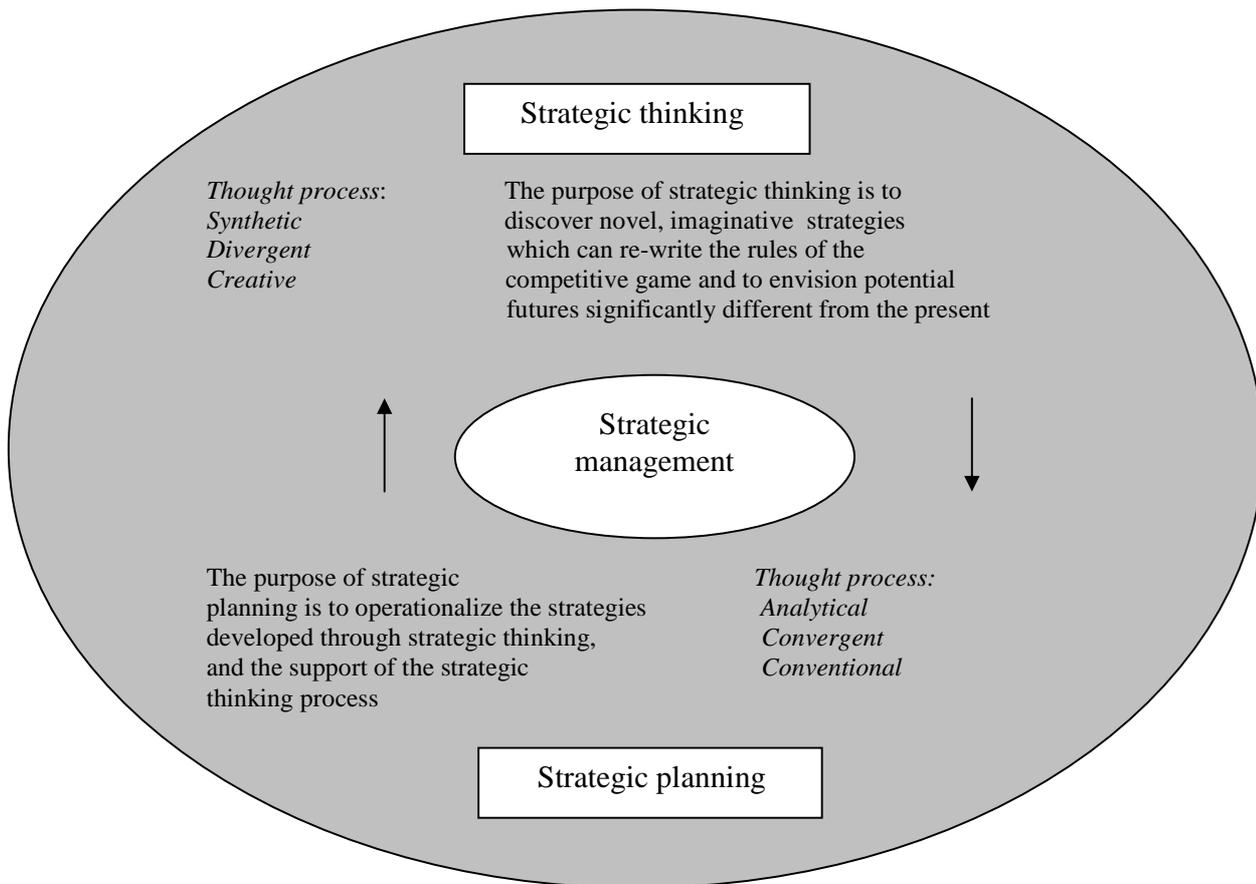
One of the many approaches to distinguish strategic planning and strategic thinking is Heracleous. He (Heracleous, 1998) describes strategic planning as single-loop learning, while strategic thinking is double-loop learning (Argyris, 1976). In his approach strategic planning is depicted as "an activity carried out within the parameters of what is to be achieved, but does not explicitly question those parameters, and is therefore analogous to single-loop learning. Strategic planning most often takes an already determined strategic direction and help strategists decide how the organization is to be configured and resources allocated to realize that direction. This can be connected to the semantic twins of learning I (Bateson, 1972), single-loop (Argyris,1976), lower-level (Fiol, Lyles, 1985), adaptive (Senge, 1990). It occurs when there is a match between the organization's design for action and the actual outcome, or when such mismatches are corrected by changing actions, but without critical examination of the governing variables for action.

Strategic thinking can be seen as double-loop learning, and strategic planning as single-loop learning. This analogy is helpful in clarifying the nature of strategic thinking and strategic planning, and is illustrating why they are different, but ultimately both necessary and complimentary. In the literature the same phenomenon can be characterized as learning II

(Bateson, 1972), double-loop (Argyris, 1976), higher-level (Fiol, Lyles, 1985) or generative learning (Senge, 1990).

Heracleous opposes strategic planning to strategic thinking (Picture 3): the mode of strategy making which can be associated with re-inventing the future, the creation of new competitive aspect as opposed to struggling over slow-growth or even shrinking markets, is strategic thinking. Strategic thinking questions the strategic parameters themselves, and is thus analogous to double-loop learning.

Picture 3: Dialectical relation between strategic thinking and strategic planning



Source: Heracleous, 1998, p.82

Heracleous recognizes that there is no benefit by just opposing strategic thinking and strategic planning and that is why he proposes a dialoguing relation between strategic planning and thinking, which enables the organization to strategic evolutions: the desired outcome of the cycle of strategic thinking/ planning is not “me-too” strategies but distinct positioning, supported by unique activity systems. In this view, strategic planning and thinking are the two sides of strategic management. Heracleous argues that this view suggests a clarification in the meaning of the terms by drawing an analogy with levels of learning and complements Mintzberg’s view about the usefulness of both strategic thinking and strategic planning.

Being overly preoccupied with terminology one can miss the essential point. Both strategic thinking and strategic planning are necessary and neither is adequate without the other. Heracleous proposed that strategic thinking and strategic planning are interrelated in a dialectical process, where both are necessary for effective strategic management, and each mode on its own is necessary but not sufficient. They are distinctive ways of approaching and demand two distinguished minds concepts, often two different characters, and types of managers.

Heracleous points at the double learning relation of strategic thinking and strategic planning. He also agrees with the Mintzberg's view about the usefulness of both strategic thinking and planning, and helps to place the Mintzberg/Porter debate in the context by recognizing that focusing on different aspects of strategy (the longitudinal versus the cross-sectional problem) leads these authors to advocate corresponding thinking modes, which in the final analysis are both necessary and complementary.

The process of researching is first to define, separate the phenomena into small particles, analyze those particles and then conclude about the wholeness of the phenomena, about the knowledge of each single particle. Separating strategic thinking and strategic planning is just the first step in the advancement of the strategic thinking and strategic planning relation. The next steps in the analyses, which both Heracleous and Mintzberg propose, are the necessity of existence of both of them. Naturally, it will be to realize how to combine them in a most efficient way for the process of strategic management. The difference in thinking modes between both of them are so big that there should be at least two people with their distinctive characters needed to complete the need for both types of the strategist. The line between the two suggested types of strategic approaches is so strict and theoretically well separated, but in practice the line is very blurred and the strategist is usually either one person or the team of several different people deciding about the strategy. Strategic decision-making in practice is the bottom line of decision-making and in those situations neither the "strategic thinking" strategist nor "strategic planning" strategist has the predominance. The process of differentiating and making the difference even larger than it can be in practice perceived makes the gap between the "strategic thinking" and "strategic planning" mode of thinking about the strategy even larger. The strategists usually define themselves in one of the modes, thinking that they cannot behave in the strategic thinking type of thinking mode, while they are strategic planning type of strategist. Training in switching those modes of thinking can explore different point of view and change the focus of management training in different direction.

Another point of criticism about the strategic thinking and strategic planning is that those terms are not comparable at all. Strategic planning mostly consists of the use of analytical tools in order to organize strategic actions according to the predicted environmental evolutions. Whereas strategic thinking, as an organizational activity, linked to individual and collective, formal and less formal processes inside the firm, does not only refer to a temporal activity (like a three-months strategic analysis aiming at preparing a three-years plan).

The opposition between strategic planning and thinking, though seductive, is much reductive. The interest of strategic thinking as a concept in the field of strategic management is to deal with either creativity or formal analyzes, either planned strategic actions or autonomous strategic process (Burgelman,1991), and either deliberate or emergent aspects of strategic propositions from different levels in the organization. In this view, strategic planning and thinking cannot be opposed, as planning can be one of the strategic thinking modes used in the firm (Rosche, 2003).

The point is not to abolish formal concept of strategic planning but rather incorporate everyday activities of the process of planning in the strategic thinking (Liedtka, 1998, p.121).

When researched in successful companies, the relation of strategic planning and strategic thinking seems so alike, coherent, and interconnected that there is no point of distinguishing or analyzing the effects of each of them. While researched in the less successful firms it is also hard to depict which one is more wrong or the main causing factor is their poor interaction.

1.4. Features for Defining Strategic Thinking

There is one paradox about the research of the strategic thinking capability. A number of researchers feel the need to write an article, critic, research note, or review about the strategic thinking concepts. Therefore, it was challenging to gather the information about the strategic thinking literature. Very often there was a title match in the database with “strategic thinking” but when reading I realized it has nothing to do with strategic thinking concept. It is rather the way to emphasize the importance of some topics by putting the adjective strategic in the title. The researchers that indeed tackled the strategic thinking topic have done it without the critical component of their approach and therefore preaching their own perspective and adding to the term a new, additional, and more personal meaning. I guess that this term wakes the creativity in researches. Therefore, they present themselves in a more poetical and literal way than in the other research topic. There is very few researches that actually researched strategic thinking in depth and left a considerable trace in the literature. The contributions are mainly in the doctoral thesis of young researchers guided by their enthusiasm, scientific naivety to discover something very new and to resolve the big puzzle of the way people thinking within the context of strategic management.

Strategic thinking is recognized as the existing concept but for the more concrete notion of what it really is, there should be a look at the structure and crucial features of strategic thinking. These are relevant features, which make the central point of strategic thinking independently of the way of perceiving strategic thinking.

Researches are prone to discuss about the concepts they prefer depending on the industry specific case, but there are rare studies whose hypothesis is about reaching reliable construct that would be valid for all situations. Defining features and attributes of strategic thinking is based, as any other scientific method, on subjectivity. There is no unique formula how to think strategically (O’Shannassy, 2001, p.36) but the Liedtka’s contribution (Liedtka, 1998, pp.122-124) is the biggest step forward when not just defining but also elaborating constitutional features of strategic thinking. Without achieving the kind of detailed understanding of strategic thinking, as it already exists of strategic planning, we risk introducing yet another concept to the strategy lexicon that has little relevance to practicing managers (Liedtka, 1998, p.120). One of the first concrete features of strategic thinking is Liedtka’s (Liedtka, 1998) defining five features that when used in combination, are specific to strategic thinking.

She views strategic thinking as a way of thinking that includes:

- **System perspective-** General system theory was originally proposed in 1928 by Hungarian biologist Ludwig von Bertalanffy claiming that a system is characterized by the interactions of its components. The strategic thinker sees vertical linkages within the system from multiple perspectives. He or she sees the relationship between corporate, business level, and functional strategies within each other, to the external context, and to the personal choice, he or she makes on a daily basis. In addition, on a horizontal basis, he or she sees the connection across departments and functions and between companies of suppliers and buyers (Goldman, 2005, p.25 from Liedtka, p. 122). A strategic thinker has a mental model of the complete end-to-end system of value creation, and understands the interdependencies within it. This mental model of “how the world works” must incorporate and understand both the external and internal context of the organization. The dimension of the external context that has dominated strategic management for many years has been industry-based, but the firm can be viewed not as a member of a single industry but as a part of a business ecosystem, that crosses a variety of industries. In this way, companies co-evolve capabilities around an innovation: they work co-operatively and competitively to support new products, satisfy customer needs, and eventually incorporate the next round of innovation (Moore, 1993). In addition to understanding the external business ecosystem in which the firm operates, strategic thinking must also appreciate the inter-relationships among the internal pieces that, taken together, compromise the whole.
- **Strategic intent-** Strategic thinking is intent-driven. Energy directs toward the long-term view of the future, like an animating dream. It also implies a particular point of view about the long-term market or competitive position that a firm hopes to build over the coming decade or so. Hence, it conveys a sense of direction, discovery, and destiny. These are the attributes of strategic intent (Prahalad, Hamel, 1994, pp.129-130). Csikszentmihalyi draws our attention to what he calls the primacy of “psychic energy”. We can focus attention, he argues, “like a beam of energy” or diffuse it in “desultory random movements...we create ourselves by how we invest this energy.” Strategic intent provides the focus that allows individuals within an organization to marshal and leverage their energy, to focus attention, to resist distraction, and to concentrate for as long as it takes to achieve the goal.
- **Intelligent opportunism-** there is a sense of continuously developing agenda: new strategies will emerge over time. This does not imply that overall direction and goals are constantly shifting, but rather that the way in which they may be achieved might vary over time. There must be room for intelligent opportunism that not only furthers intended strategy but that also leave open the possibility of new strategies emerging. Robert Burgelman has highlighted the dilemma involved in using a well-articulated strategy to channel organizational efforts effectively and efficiently, against the risks of losing sight of alternative strategies better suited to a changing environment.
- **Thinking in time:** the past, present and future are connected through understanding and pattern recognition. Thinking in time uses both an institution’s memory and its broad historical context to think well about creating its future. The strategic question is not only “what does the future that we want to create looks like?”, it is “having seen the future that we want to create, what must we keep from our past, lose from the past, and create in our

present, to get there?” (Handy, 1994 cited by Liedtka, 1998, p.123). The decision from the past and present time can influence the future. Even small decisions can have significant implications in the future (North, 1990 cited by Lamberg, Parvinen, 2003, p. 551).

- **Hypothesis generation and testing:** what if /if-then scenarios are repeatedly played out. It mirrors the “scientific method”, in that it deals with hypothesis generating and testing as central activities. The scientific method accommodates both creative and analytical thinking sequentially in its use of iterative cycles of hypothesis generating and testing. Hypothesis generation asks the creative question- *what if...?* Hypothesis testing follows with the critical question “If...then...?” and brings relevant data to bear on the analysis. Such experimentation allows an organization to move beyond simplistic notions of cause and effect to provide on –going learning. This view includes a sense of the future that drives us, including a sense of both where that future connects and disconnects with the past and demands a new in the present.

According to Liedtka, each element is individually necessary and the features are collectively sufficient for strategic thinking. This is quite simplistic argumentation of features, yet the most appealing and according to the scholars probably the closest of all suggestions of features of strategic thinking to the reality. One of the reasons is that the features are articulated; and easy to comprehend.

Somewhat close to this approach is that the strategic thinking is recognized as being (Hanford, 1995: Liedtka, 1998: Mintzberg, 1978 cited in Goldman, 2005, p.4):

- Conceptual- including reflecting ideas, models, and hypothesis,
- Systems-oriented: taking into account the interaction of the organization’s parts, as well as their relationship with the external environment,
- Directional: providing a sense of an aimed-for future state that is different from the present, and
- Opportunistic: taking advantage of the organization, its achievements, and present competitive and environmental conditions.

There are a handful of suggestions what might be the features of strategic thinking. All of them have the same underlying idea trying to articulate and simplify features of a mental and intellectual activity.

Strategic thinking involves three activities (Wootton, Horne, 2005, pp.v-vi): making sense of information, formulating ideas and planning action. Making sense of the information involves recollection and reflection. Formulating ideas involves thinking skills, involves forecasting, prediction, imagination, and visual thinking, as well as critical evaluation.

Planning action involves thinking creatively about the possible actions to take. Strategic thinking involves the ability:

- To realize opportunities in the environment and its integration in the business (Eisenhardt, 1990, p.41),
- To face the new and confused issues, their interpretation, situation analysis, and defining needed activities (Hurst et.al.1988 u Graetz, 2002, p. 458),
- The capability to function when faced with the numerous multivariable and simultaneous possibilities (Eisenhardt, 1990, p.46; Schoemaker, 1995, p.26, 40 cited in Liedtka, 1998, p. 126),
- To develop continuously of the new mental models for new situations (Stacey, 1992, p.104),
- Analysis based on the analogy and intuition, understanding the whole and not just partial features, and
- Focus on the process, not result.

There are many suggestions what constitute strategic thinking and their critique. Rosche suggests that the concept of strategic thinking has two components: leadership and cognition (Rosche, 2003, p.6). Leadership is the component that strives for the leader and the follower and the cognition as the component of having the different abilities used and implemented in action. In this view, strategic thinking is described very shallowly using a high level of generalization and does not offer the valuable insights needed to articulate the concept.

Being strategic requires that one is able to differentiate between ends and means. Means are the strategies used in achieving or delivering an end. Knowing the difference between ends and means is a powerful indicator of strategic thinking (Kaufman, 1992).

Strategic thinking abilities on the individual level involve both cognitive thinking and personality. Cognitive thinking (Rosche, 2003, p.6) is connected to the critical (Schendel and Hofer, 1979, Ohmae, 1982) and creative thinking (Bandrowski, 1990, Ohmae, 1982). Personality understands openness to experience, intuition, risk-taking, and autonomy.

Bates and Dillard (Bates, Dillard, 1993), Agor (Agor, 1986) and Harper (Harper, 1988) in their purely descriptive research and Pellegrino (Pellegrino, 1995, p.115) in his empirical research depict intuition as the prerequisite for strategic thinking ability.

One of the most elaborated empirical studies of strategic attributes that each individual need to have developed in order to be prepared for the leadership positions at the strategic level is the *Strategic leader development inventory*. It was developed in cooperation of Industrial College of the Armed Forces, U.S. Army Research Institute and U.S. Army War College and tested on the several generations of educating military officers and government civilians for management at the strategic level. One part of the strategic leader inventory is conceptual skills and attributes, consisting of (Jacobs, 1994, p. 13): conceptual flexibility, political sensibility, long-term perspective, quick study/perceptive and complex understanding.

Conceptual flexibility- is one of the most important general officers' conceptual skills. It implies ability of rapidly grasp complex and difficult questions as they unfold. A high score describes the ability to understand complex and perhaps unstructured problems quickly, and the tendency to look for contingencies (more than one solution, more than one-way) when developing action

plans. This can also expand to include comfort with paradoxical or contradictory issues that have no right answer.

Political sensitivity- this factor assesses sensitivity to political issues and interests beyond purely economical. Strategic leader must be politically sensitive, aware, and skilled. It means the ability to see the “big picture”, as maintaining good relations with outside interest groups.

Long-term perspective- it is the ability by which strategic leader adds value to organization. The strategic leaders lacking this ability are at risk of being surprised and overtaken by events. They might be constantly fixing problems that others do not experience by virtue of having anticipated them.

Quick Study/Perceptive- strategic leaders possessing this ability understand how they fit into the larger picture, being “in charge” in crises, and being able to separate trivial from important issues. Individuals who score low are likely to be “behind the power curve” in fast-developing problem situations, and perhaps to make errors in interpreting the intent of their superiors.

Complex understanding- it represents the capacity to deal with large amounts of information, knowledge of the business, and technical/tactical capability. The individuals who show lower results in these attribute is left “in the dark” about what is going on in the firm.

There are three more requirements additional to the conceptual skills and attributes: long-term vision, consensus building, and team building. Long-term vision is the ability to see where the organization needs to be in the future. Consensus building assumes that at the strategic level there is abundant uncertainty and the magnitude of resources required to attain strategic objectives is greater than one leader may influence or control. Consensus obtained produces joint commitment to the endeavor. Successful strategic leaders are masters at bringing together capable teams, and leading them as a team- with unity of purpose and effort. Effective team decision-making is essential at the strategic level because the scope and scale of the issues exceed the capacity of any single leader to grasp.

1.5. Conclusion on Strategic Thinking

Strategic thinking is a gateway for all the ambiguity, problems, opportunities, and mistakes of strategic management. Whatever unexpected and/or not researched enough happens in practice, people see it either because of the supremacy of strategic thinking or its lack. Eventhough the factors, causes, or blame is on somebody or something else, the strategic manager labels it as strategic thinking. When looking closely at what strategic thinking really means it could be quite perplexing to find out that strategic thinking is a synonym for almost all the concepts that have *strategic* as their first word. Due to the problem of articulating the cognitive character of strategic thinking, it is very elusive to define, measure, train or learn how to think strategically. Therefore, there are many mystifications and interpretations of its meaning. It is important to realize that the lack of strategic thinking capability is recognized as the major detractor of economic performance. The general conclusion is that strategic thinking has been under-theorized.

Strategic thinking is recognized on several levels within the firm: individual, team and firm level. The core of strategic thinking is certainly in the heads of the individuals. If there is no strategic thinking material, there is no strategic thinking capability. However, if the environment such as

teams, departments of the firm does not recognize the potential, strategic thinking stays inside the heads of the top managers.

The definitions of strategic thinking vary, but I suggest the following: *Strategic thinking is a process in which a person perceives, reflects, feels, realizes and acknowledges the signs that impact the future of the firm, by giving them meaning and finally acting upon them by accordingly shaping their impressions, perspective and behavior.*

There are three relations between strategic thinking and strategic planning. They are either simultaneous; strategic planning precedes strategic thinking or they exclude each other. The compromise is a dialectic relation between strategic thinking and strategic planning.

Apart from this, there are several suggestions of possible features of strategic thinking. Whatever feature one might mention, it is actually a manifestation of certain skills, competences, knowledge, and personal character constituting strategic thinking capability. It is not the question whether these features exist in individuals, but rather to what level top managers utilize these features and the way they combine them in specific practical situations.

2. THE SCHOOLS OF STRATEGIC MANAGEMENT

Strategic management is a relatively young field in which all seminal scholarly articles were published in the last 30 years, with over 80 per cent of them in the last 10 years (McKiernan, 1996, p. xiv).

2.1. Defining School of Strategic Management

If strategic management is in its teen years or scrambling from adolescent to adulthood (McKiernan, 1997, p.790) it is still in the early development stage of science, which is being characterized by continual competition (Kuhn, 1996, p. 4) between a numbers of distinctive views on the process of strategic management. As there is a variety of approaches, schools attempt to group the ideologically closest views together. Each of these distinctive views partially derives from and is all roughly compatible with the dictates of scientific observation and method. What differentiates these various schools is not the existence of method failure, as they are all scientific, but they resemble in their incommensurable ways of seeing the world of practice. Schools of thought have been formed, dedicated to enrich the respective theory and to establish its superiority over other schools. However, all these schools appear to be studying the same problem- the way they perceive process of strategic management. Therefore, discussing about the origins of strategic management, any consensus on milestones is likely to be limited (McKiernan, 1996, p. xiv).

The theories are subunits of the schools. They are of an equivalent value. Therefore, the promotion of a single theory, as the ultimate truth, is considered a dogma and promotes indoctrination, which ultimately brings to a standstill in the thinking process. Even insisting on the *dominant paradigm* can induce strong cases of cognitive calcification and therefore limiting interpretations and creativity (McKiernan, 1997, p.790). The four schools suggested later in the text should not be seen as mutually exclusive. A better analogy is to see them as strands

interwoven to form a strong rope (McKiernan, 1996, p. xv). The other analogy is a fable of the blind men and the elephant written by Saxe (Mintzberg, Ahlstrand, Lampel, 1998, p. 2).

The concept of the school of strategic management is used in the sense of a paradigm (Ansoff, 1987, p.501 originated from Kuhn, 1996). Although Kuhn used word paradigm in twenty-two different ways (Kuhn, 1996, p, 181), it mainly stands for the entire constellation of beliefs, values and techniques that are shared by the members of a given community (Kuhn, 1996, p.175). The term paradigm is what the members of a scientific community share, and, conversely, a scientific community consists of researchers who share a paradigm (Kuhn, 1996, p. 176). Researchers whose work is based on shared paradigms are committed to the same rules and standards for scientific practice (Kuhn, 1996, p.11). When groups of researchers enter into a debate about paradigm choice, their role is necessarily circular; each group uses its own paradigm to argue in that paradigm's defense (Kuhn, 1996, pp. 93-93). Each school is a paradigm of its own, consisted of several sub-schools theories or thesis of different streams of thought. Each school in this thesis is presented by the mainstream premises dominating that school.

There have been several attempts to define such classification in the field of strategic management (Chaffee, 1985; Hampden- Turner, 1993; Whittington, 1993; Mintzberg, 1994; McKiernan, 1996; Mintzberg, Ahlstrand, Lampel, 1998; Haberberg, Rieple, 2001). Each of the proposed classifications is the results of the author's way of thinking, offering one view in the whole *elephant* story. The example of the disputes and misunderstanding between them is the Ansoff (1991, 1994) - Mintzberg (1990, 1991) discussion.

The ideas of one author might contribute to different schools of strategic management, while authors develop their thought in the series of publications, supporting different point of views. The classification presented in the following text is the result of a subjective author's proposition. The main reasoning underlying the logic of the proposed classification is that the strategic management field had roots and history, which is the source of inspiration for almost each of the scholar in his future seminal works. The **Classical school** is the school, which presents the basics of strategic management and historical roots and therefore the most influential of all. On the other side of the pendulum is the **Contemporary school**. This school is not opposing classical school, but rather changing the underlying logics. By changing time setting and the environment, needs changed as well as the motives and aspirations. This school supports the idea of collaboration and cognition. Knowledge of cognitive features is important in order to understand ourselves as human beings, simultaneously understanding other people, and the most effective way to collaborate. The next school is the **Environmental school** of strategic management, which presents all the reactive and passive ways of overpassing from the past to the future. According to this view in the world of globalization, most of us just have to adopt and change according to the imperatives of the forces from the environment. The last of the four proposed schools is the **Competitive school**, which underlines the survival in any possible way. It is the active attitude towards the future, emphasizing the importance of competitive advantage.

2.2. Classical School of Strategic Management

Classical school¹ of strategic management embraces all the basis and cornerstones of strategic management as the *new* scientific field. One can place here (Jelenc, 2005, p. 1053): Design school (Mintzberg, 1994), Planning school (Mintzberg, 1994; Haberberg, Rieple, 2001), Classic school (Whittington, 1993), Planning and Practice school (McKiernan, 1996) and Linear school (Chaffee, 1985). All these authors contributed to their classification of schools of strategic management and therefore suggested some insights that are unique views of the historical evolution and structure of strategic management from their own perspective. Their inspiration is the criterion upon which they organized the schools and labeled them. Due to the subjectivity, there is an overlap in the content and context of these schools. Both of Mintzberg's schools, the design and the planning one, are put under the title of classical school of strategic management, although they resemble a bit and present two stages of the early evolution of strategic management.

Due to the multi-disciplinary area like strategic management, many various influences gave direction and defined scope of this discipline. Two generic sources (Cummings, 1993, p.133 cited in Mencer, Jelenc, 2007) of strategy development was: biological route that acknowledged the fact natural competition has been around forever, following the principles of Darwin's selection, and the second route was traditional heritage of military analogy. The source of military analogy can be found in the books: *The Art of War* by Sun Tzu, old Greeks², Foch and book *On War* by von Clausewitz. Looking closely, both of them have the same root- fighting for survival, led by either nature or by human brain. Human beings started to comprehend this survival in a more sophisticated way, distorting to luxury, well-being, and fulfillment of greedy and egoistic individual needs.

The first economists- mathematicians using the rules of war in economy are von Neumann and Morgenstern in the work *Game Theory and Economic Behavior* (1944). The Industrial Revolution helped the thought of modern management to develop, especially in the works of Stuart, Smith, Watt, Owen, Arkwright and others. The principles of specialization, control, personnel policies, standard operating procedures, scientific management, and planning were laid down largely as mechanistic procedures. In the early 20th century writers such as Fayol, Church, Sheldon and Brech brought mechanistic approach to embrace the integration of specialized activities within the organization. American contributions of Taylor, Gilbreths, Halsey and Towns consolidated this science of management in explaining internal organizational activities (McKiernan, 1997, p. 791).

Chester Irving Barnard, as both, practitioner and theorist, expressed his ideas only in the form of two books and few articles, but presented management issues as the combination of science and

¹ The name *classical* comes from the Whittington's classification of the schools (Whittington, 1993, p. 11-17) due to the fact that the term classical corresponds to the period of time were all these ideas have been born. All other schools of strategic management found the inspiration in these early contributions.

² Initially *strategos* referred to a role (a general in command of an army from Encyclopedia Britannica, 1963, pp.452-459 cited in Mencer, 2003, p.25). The word is compound from *stratos* (army) and *agein* (to lead) the art of leading army (Buble, et.al. 2005, p.3). Later the meaning was *the art of the general*, which is to say the psychological and behavioral skills with which he occupied the role. By the time of Pericles (450 B.C.), it came to mean managerial skill (administration, leadership, oration, power). In addition, by Alexander's time (330 B.C.) it referred to the skill of employing forces to overcome opposition and to create a unified system of global governance (Mintzberg, Quinn, 1992, p. 4).

art of organization. He was aware of the importance of system view of the organization and emphasized the importance of communication in the formal and informal organization. According to him four principal errors are *an oversimplification of organization life, a disregard of the fact and of the necessity of informal organization; an inversion of emphasis upon the objective and the subjective aspects of authority; and a confusion of morality with responsibility* (Barnard, 1956, p. 286). His ideas contained the seed of three different trends of organizational theory that were to dominate for the next three decades; institutional theory represented by Philip Selznick (1957), decision-making school represented by Herbert Simon (1947) and human relations school (Mahoney, 2002, p. 162). In his most famous book, *The Functions of the Executive* (1938) Simon summarized three functions of the executive: the establishment and maintenance of the system of communication, the securing of the essential services from individuals, and the formulation of the organizational purpose and objectives. When discussing about business decisions, he focused on those, which are not based upon *economic motives*. He points *this is something that businessmen seldom admit, and of which they are frequently unaware. Prestige, competitive reputation, social philosophy, social standing, philanthropic interests, combativeness, love of intrigue, dislike of friction, technical interest, Napoleonic dreams, love of accomplishing useful things, desire for regard of employees, love of publicity, fear of publicity- a long catalogue of non-economic motives actually conditions the management of business, and nothing but the balance sheet keeps these non-economic motives from running wild* (Barnard, 1962, pp. 14-15).

Simon, as he called himself a monomaniac (Simon, 2001, p. 501), always wished to understand decision-making and problem-solving processes in individuals, organizations, and the economy as a whole. He used different methods and stand view from economics, political science, psychology, computer science, administrative theory, public administration, cognitive science, and philosophy to understand decision-making. He coined “bounded rationality” as an important element in actual organizational behavior, by stating that bounded rational agents experience limits in formulating and solving complex problems and in processing (receiving, storing, retrieving, transmitting) information (Simon, 1997). He criticizes Fayol’s platitude and Taylor’s “economic man” assumptions, proposing the “administrative man” who pursues his self-interests but often does not know what they are, is aware of only some of the possible decision alternatives, and is rather willing to settle for an adequate solution, than to continue looking for an optimal one (Simon, 1997, p.45). In *Administrative Behavior* (Simon, 1997, p. 46) he defines top, which makes “what” decisions, and the bottom which make “how” decisions. Each goal in the means-end hierarchy is an end to things below it and a mean to those above it. Activities can only be evaluated against the goals above it. Goals can be delegated to different units thus simplifying the decision making process for participants. One more thing worth mentioning in the field of administrative behavior is *satisfaction*. It is a behavior which attempts to achieve at least a minimum level of a particular variable, but which does not strive to achieve its maximum possible value, while a priority is attached to the attainment of other goals.

Chandler, an unorthodox business historian, has been particularly influential in shaping the business and economic historians’ intellectual agenda (John, 1997, p.160). Chandler (Chandler, 1977, p. 2) claims that in many sectors of the economy the visible hand of management replaced what Adam Smith referred to as invisible hand of market forces. The market remained the generator of demand for goods and services, but modern business enterprise took over the functions of coordinating flows of goods through existing processes of production and distribution, and of allocating funds and personnel for future production and distribution. In this way, the rise of modern business enterprise brought with it managerial capitalism. The modern,

multiunit enterprise, by its very act of administrative coordination, brings imperfect competition and misallocation of resources (Chandler, 1977, p. 4). This multiunit business enterprise grew in size and diversity and the management of such enterprise administrated by salaried managers replaced the small traditional family firm. The ownership of the firm separated from management of the firm. Modern enterprise was the institutional response to the rapid pace of technological innovation and increasing consumer demand in the United States during the second half of the nineteenth century (Chandler, 1977, p. 12). Chandler's work is characterized by the maxim "strategy precedes structure" which became a byword of corporate management. Second contribution was explicit behavior model: firms as other organizations are governed by inertia. They change the overall direction (which Chandler calls their "strategy") only when forced by competitive pressures, to do so, and the change in strategy is likely to be successful only if accompanied by decisive change in organizational culture. According to Chandler, strategy is *the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out the goals*, while structure is *the design of organization through which the enterprise is administrated* (Chandler, 1962, p. 13-14). *Strategy and Structure* was a book for business manager- a book that explained the sea to the fish who swam within it.

In 1960s the most eminent works are in the form of books *Strategy and Structure* (1962) written by Chandler, *Corporate Strategy* (1965) written by Ansoff, and *Business Policy: Text and Cases* (1965/1966) textbook written by Learned, Christensen, Andrews, and Guth. These seminal works provide the foundation for the field for strategic management. They advanced the domain of strategy beyond the traditional focus of merely a capstone course about integration of functions within the firm. This is the historical backstage when first paradigms of strategic management start to articulate.

The first wave (design school or conceptual school) within the classical school of strategic management was developed during the sixties of the twentieth century. The ideas of this school are the most influential ones of all of the schools. Nearly all of the ideas and issues that concern us today can be found at least in an embryonic form in these key writings of the 1960s (Rumelt, 1994, p.18). The most essential premise of this school is *congruence* or *fit*³ between external and organizational factors. It is called the design model (Mintzberg, 1990) due to the belief that strategy formulation is a process of creating a concept by the use of a few basic ideas, to design a strategy that fits the organization and its environment.

The mainstream ideas represented in this school have been widespread through the very first and only publication of the academic literature of strategic management. The ideas have been evolved in the discussions with practitioners. Those ideas were presented to the new generations of students of business in almost all business schools of those times. Through the generations of students and future managers, the ideas of business policy entered the boardrooms of each large firm in the world. The aim of the first years teaching *Business policy* was not to develop the scientific foundation of business policy or strategic management but rather to help the managers in their everyday life with the practicalities they face with on a daily basis. They were mainly interested in identifying and developing the "best practices" that were useful to managers. The target audience of their work was managers, and students aspiring to be managers. Their principle

³ Lindgren and Spangberg (Lindgren, Spangberg, 1981, p. 26 cited by Mintzberg, 1990, p. 172) refer to this as the *fit* school.

goal was to impart knowledge to practitioners, rather than to pursue knowledge for scientific advancement (Hoskisson, et.al., 1999, p. 423).

The elementary idea has derived from Newman's initial piece *Administrative Action*, where he emphasized on "the nature and importance of strategy" (Newman, Logan, 1971, p. iii). His ideas may have originated in the McKinsey consulting practice from the thirties of the 20th century, as reflected in the Reilley piece of 1955 (Mintzberg, 1990, p.172). More capstones are works by David G. Moore *Managerial Strategies* from 1959, Seymour Tilles in the article *How to evaluate corporate strategy* from 1963.

Some of the basic concepts that underlie the design school can be traced in other disciplines like in the work of sociologist Philip Selznick, in his book *Leadership in Administration* (1957) and business historian Alfred D. Chandler in his book *Strategy and Structure* (1962). Selznick (1957) was first to introduce the term of distinctive capabilities and noted that the task of leadership is not only to make policy, but to build it into the organization's social structure (Selznick, 1957, pp. 62-63), an aspect of the process that later will be called implementation. Leader must take into account the internal state of the policy; the striving, inhibitions, and capabilities that exist within the organization and the external expectations that determine what must be sought or achieved if the institution is to survive (Selznick, 1957, p. 62, 67-68).

One of the most popular textbook recognized is *Business Policy: Text and Cases* from 1965 written by Edmund Learned, Roland Christensen, Kenneth Andrews, and William Guth (Mintzberg, Ahlstrand, Lampel, 1998, p. 25, McKiernan, 1997, p. 791) within the Harvard Business School⁴. The first examples of the corporate strategy issues in the form of case studies are the case-study of the Swiss watch industry written by Andrews in 1959 (Christensen, Andrews, Bower, 1986, vi iz Mintzberg, 1990, p. 173).

Andrews splits strategy into formulation and implementation highlighting the four components, what the firm (Andrews, 1971, pp. 25-27):

- Might do (market opportunity),
- Could do (corporate capability and resources),
- Wants to do (ambition- manager's personal values and aspirations), and
- Should do (social responsibility- obligations to stakeholders apart from the stockholders).

Strategic decisions are reached by establishing fit between the external (market opportunity and social responsibility) and internal (corporate capability and ambition) environments. Outside opportunities are exploited by inside strengths, while threats are avoided and weaknesses circumvented (Mintzberg, 1994, p. 36).

⁴ In the academic year 1911-1912, the Harvard Business School starts offering a course in Business Policy lecturing Arch Shaw. The purpose was to develop an approach to business problems from the top management point of view and to achieve the mystical state of "thinking like chief executive" (Bose, 2003, p. 30). At Shaw's urging, this course and others used the case method of instruction in a manner similar to that developed at the Harvard Law School. Business policy soon become the core course of the curriculum at the Harvard Business School and the case method (*clinical research*, Bose, 2003, p. 31) its primary method of teaching. Societies, journals, university training, and specialized consultants were flourishing by the 1920. Even then, they were limited to North American continent and did not appear in any form in other countries until after World War II (Chandler, 1977, p. 467-468). By attending and participating in the same meetings, by reading and writing for the same journals, and by having attended the same type of college courses, these managers began to have a common view as well as common interests and concerns (Chandler, 1977, p. 468). There is also a book *Policy Formulation and Administration- a Casebook of Senior Management Problems in Business* written by Christensen, Berg, Salter and Stevenson, first edited in 1951.

In fact, it is the form of the SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). The strategic alternative, which results from matching opportunity and corporate capability at an acceptable level of risk, is what we may call an economic strategy. Economic strategy will be seen as the match between qualification and opportunity that positions a firm in its environment (Christensen, et.al., 1982, p.164). The motto of this school is “capture success,” by finding out what you are good at and matching it with what the world wants and needs.

Andrews and his colleagues considered business policy as *the study of the functions and responsibilities of general management and the problems, which affect the character, and success of the total enterprise from the viewpoint of the chief executive or general manager, whose primary responsibility is the enterprise as a whole* (Learned, et al., 1965, p.3). More importantly, they define corporate strategy as a pattern of decisions in a firm that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the firm is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities (Andrews, 1971, p.18). After the strategy is formulated, implementation is concerned with the question how resources are mobilized to accomplish the strategy and requires appropriate organizational structure, systems of incentives and controls, and leadership. Implementation is “comprised of a series of subactivities which are primarily administrative” (Learned, et al., 1965, p.19).

In the mechanistic perspective, strategy is mainly viewed as a posture- a relatively stable configuration- a fit or alignment between mutually supporting organizational features, such as activities and organizational structure, and environmental features, such as a customer group (Farjoun, 2002, p.563).

The representatives of this school published many textbooks for business schools. The typical literature is the way it is organized even today: the first part is the theoretical part in which they elaborated their ideas and the second part in which they presented case studies from management practice. The popularity of this school decreases in the eighties, but still dominates in business schools.

The analysis starts simultaneously on the both sides, the analysis of external and internal appraisal are on the same level of importance (Picture 4). The external appraisal concentrates on the threats and opportunities from the environment in which firm operates and concludes with identifications of the key success factors. The internal appraisal focuses on the strengths and weaknesses of the organization elaborating more on the distinctive capabilities of the firm. Creation of strategy is the result of the process of establishing fit or congruence between key success factors and distinctive capabilities. Social responsibility and managerial values strongly influence the possible forms and shapes of the strategy. At the end of this process, there are several possible strategies, which are being evaluated and analyzed in detail. The optimum strategy is the conclusion of the process. This is the end of the strategy formulation process and the beginning of the strategy implementation process. The decision rule used is to choose a strategy that capitalizes on the firm’s strengths, works on its weaknesses, exploits its opportunities, and defends or neutralizes threats (Barney, 1986).

Picture 4: Basic model of the design school of strategic management



Source: Mintzberg, 1994, p. 37

Strategy needs to exhibit external consistency- firm resources need to be matched with environmental opportunities, and internal consistency- a fit between strategy and organizational features. Underpinning premises about the process of strategic management that characterized this school are (Christensen et.al. 1982, p.6, 94, 185, 543):

- Strategy formulation should be a controlled, conscious process of thought

The strategies are formed through a tightly controlled process of conscious human thought. Strategies should not be developed intuitively or in emergent fashion, instead to be as deliberate as possible (Andrews, 1981, p.24) and to change intuitive skill of formulating strategy into conscious one (Andrews, 1981, p.105-106). Emergent strategy and opportunism are conceptual enemies of strategy and implicit intuitive strategy in hand of a strong leader is a sign of weakness of the firm (Christensen et.al., 1982, p. 828-829). Although this school is named the design school, it does not stand for the impulsive and creative thinking, which alternate the direction according to the influences in the environment. The process of strategic management cannot support intuition, random decisions, or subconscious feeling of prospective future business trends.

- Architect⁵ - top manager is responsible for the formulation and implementation

Responsibility for the process is with the chief executive officer for both: strategy formulation and implementation (Mintzberg, 1994, p.38). Architect is a metaphor, since the chief executive is seen as a planner and a designer of plans. Other members of the organization are delegated to subordinate roles on the process (Christensen cited by Mintzberg, 1994, p.38). Andrews associates the whole field of strategic management with the “point of view” of the “chief executive or general manager” and entitles a section “the president as architect of organizational purpose” (Mintzberg, 1990, p. 176). Command-and-control mentality allocates all major decisions to top management, which imposes them on the organization and monitors them via elaborate planning, budgeting, and control system (Hayes, 1985 cited in Mintzberg, 1990, p. 176).

⁵ Zand (Zand, 1981, p. 125 cited by Mintzberg, 1990, p. 176) named this premises as the part of rational architect model.

- Informality, simplicity, explicitly, creativity, uniqueness as characteristics of the strategic management process

School acknowledged that strategy formulation could be designed in a simple, yet informal way, while it is a result of “an act of judgment” (Christensen et.al., 1982, p.108). Simplicity is the essence of good art, a conception of strategy should bring simplicity to complex organizations (Christensen et.al., 1982, p.554). Strategy helps in reducing details and points to the most important factors in the environment and within the firm. Although simple strategy is not necessarily natural, it must be formally learned (Christensen et.al. 1982, p. 6 cited by Mintzberg, 1990, p. 176). Simplicity comes from the fact that control is in hands of one person. If the strategy cannot be congested in a short and simple form, how it would be possible to perform control implementation of that strategy (Christensen et.al. 1982, p.182)? The strategies should be made explicit and if possible, articulated, which means they have to be kept simple (pp. 105-106, 554, 835). The strategy should be explicit for three reasons: to be effective and specific enough to require some actions and exclude others (Christensen et.al., 1982, pp. 105-106), only an explicit strategy can be discussed, investigated and debated (Andrews, 1981, p. 24) and only explicit strategy can serve its prime function of knitting people together, provide coherence to organizational action (Rumelt, 1980, p. 380) and generate support (Mintzberg, 1990, p. 182). The formulation process should be a creative act (Christensen et.al., 1982, p. 186 cited in Mintzberg, 1990, p. 177). Scholars writing in the spirit of this school defend their model (Picture 4) as the basic and generic model for strategic planning in all firms. In each firm, there is a way in which distinctive capability, organizational resources, and organizational values are combined, and this combination is or should be unique (Christensen, 1982, cited in Mintzberg, 1990, p. 177). Moreover there are variables from the environment and specific situations for which Hofer and Schendel suggest principle of “situational philosophy” while dealing with the strategic planning. The essence of the strategy definition is a pattern, its unity, coherence, and internal consistency of a firm's strategic decisions that position the firm in its environment and gives the firm its identity, its power to mobilize its strengths, and its likelihood of success in the marketplace (Andrews, 1987, pp. 14-15).

- Adaptation to the environment and social responsibility

Environment influences the firm. Therefore, the firm should recognize the parameters in the environment and adjust itself according to them. There is no possibility either to change the environment or to create a new one. The emphasis is on social responsibility. However, the leader accounts for the needs of society, not the other way round. Society exerts influence on the firm, if the leader is voluntarily socially responsible (Mintzberg, 1994, p.38).

- Formulation precedes implementation

Full-blown strategy that has followed the instruction above is ready to reach the second stage- the implementation. Analysis of the current situation is a divergent process; the moment of deciding upon the decision is a convergent process while the implementation is a divergent one again. After being decided upon, strategy does not change, while emergent strategy considered erosion of deliberate strategy (Christensen et.al., 1982, 553-554). Structure follows the strategy helping to implement the planned business idea. The implementation consists of several subactivities and Andrews mentions twelve steps in the implementation process, which are administrative in their nature (Christensen et.al., 1982, p.98). If there is some mistake in the implementation, the reason is either a implementation misunderstanding or a political reason, but not the mistakes in the formulation strategy process.

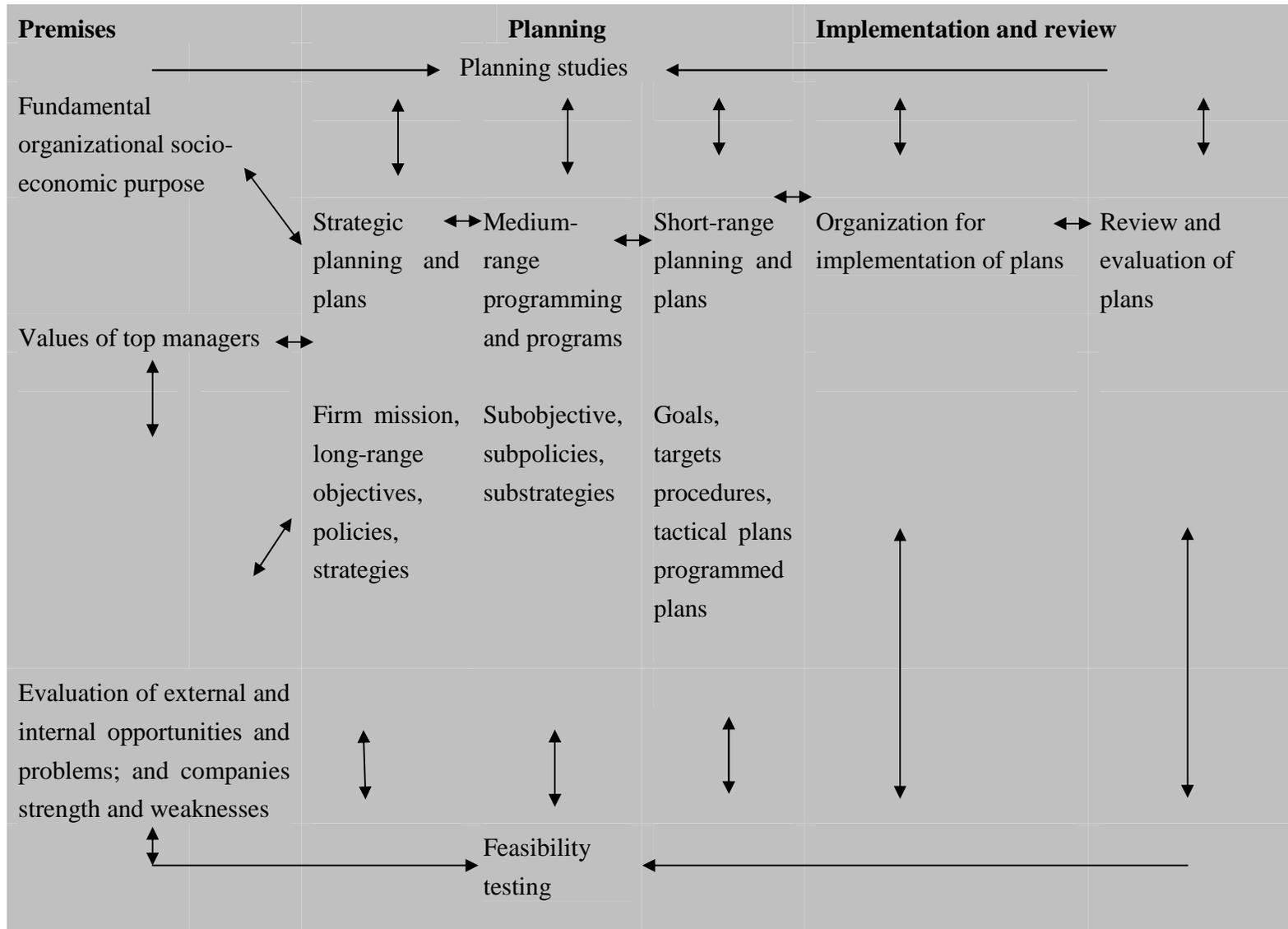
Simultaneously with the development of the design school, there was an evolutionary second wave of the classical school of strategic management- **planning school of strategic management**. In the second half of the sixties of the twentieth century, the scientific and practitioners articles about strategic planning as a modern and progressive management approach overwhelmed the publications. Everybody wanted to understand study and implement strategic planning in his or her everyday life (Mintzberg, Ahlstrand, Lampel, 1998, p. 48). One of the earliest and most generic models is the *Anatomy of Corporate Planning* by Bilmour and Brandenburg from year 1962 published in Harvard Business Review (Steiner, 1969, p. 44). Later versions of models were based on this model, further elaborating some of the variables presented in the model.

The formal motto of this school was *formal procedure, formal training, and formal analysis with a bunch of numbers* (Mintzberg, Ahlstrand, Lampel, 1998, p.48). People in charge of strategy formulation are the planning department, specially trained, educated, and direct subordinates of top managers. The main source for the planning school scholars was Igor Ansoff's book *Corporate Strategy* published in 1965. Although it developed almost simultaneously with the design school, the planning school was popular during the seventies of the twentieth century. Scholars representing this school claim that they do not have the attention of top managers, but they are the ones that promoted the ideas of this school much more than all other ideas and schools. The practitioners were not very suspicious about the validity or reliability of the promoted ideas and they took them for granted. Lorange (Lorange, 1979, p.226) found just thirty empirical studies using questionnaire wanted to prove the benefits of implementing strategic planning. This school was developed more in quantity than quality (Mintzberg, Ahlstrand, Lampel, 1998, p.48).

The way Alfred Sloan managed General Motors was an inspiration for management consultant Peter Drucker, theorist Igor Ansoff and business historian Alfred D.Chandler (from Du Pont family, owner of the majority of General Motors) in their papers. They emphasized his way of management and specially: pioneering the multidivisional form of organization and the concept of return on investment. Moreover, Sloan recognized the need for strategy, which he called "policy" and the importance of keeping it separate from the day-to-day business of operation. In that context comes the definition of strategy representing this school (Chandler, 1962, p.13): *strategy is the determination of the basic, long- term goals, and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for achieving those goals*.

Chandler studied the way organizational structures should be built in order to allow top managers to focus on their strategic responsibilities. One of the possible ways is to remove the executives from routine operational activities and give them the time, information, and even psychological commitment for long-term planning and appraisal (Chandler, 1962, p. 309). Thus, strategy formulation and control was confirmed as the prime task of the top manager while strategy implementation was the responsibility of the operational managers in the divisions (Whittington, 1993, p. 14). The main decision top managers are confronting with is what kind of business the firm should seek to be in (Ansoff, 1965, p. viii).

Picture 5 Basic model of the planning school of strategic management



Source: Steiner, 1969, pp. 31-61

Symbolically, the roots of strategy come from the old Greek, plans were at those times conceived in the general's tent, overlooking the battlefield but sufficiently detached for the safety reasons. The conceived plans are executed according to commands, transmitted through obedient hierarchies to the officers and their men at the front. The objective was victory- conflict, not co-operation (Whittington, 1993, p. 15). That is the spirit of premises of planning school.

Ansoff suggests a more detailed model of strategic planning process. There are plenty of models in the spirit of planning school of strategic management. Their main inspiration comes from the design school model but with more elaborate variables and features. The process of strategy formulation (Picture 5) starts with defining the goals and performing SWOT analysis. When doing environment scans one tries to envisage future in order to adjust the firm according to the expected changes.

Inability to envisage assumes the inability of planning. Thus, *to predict and to prepare* (Ackoff, 1983, p. 59 cited by Mintzberg, Ahlstrand, Lampel, 1998, p. 51) not to forget, some variables are listed on long checking lists of things that should be analyzed. The analysis of the inner state of the firm has less complicated structure with fewer checkpoints.

The process of implementation is less formal than the strategy formulation process. Each strategy could be divided into substrategies in order to simplify implementation (Steiner, 1969, p.177). There are more hierarchical levels: goals, budgets, substrategies (corporate, business, and functional). All those hierarchy levels are in the operational domain called master plan, helping to implement the strategy, indirectly usable for the control process.

The elementary premises that denoted this school are (Mintzberg, Ahlstrand, Lampel, 1998, p. 87; Mintzberg, 1987, 1994):

- Approach toward strategy formulation is almost identical as in the design school of strategic management with a few important differences. There are basically in the domain of strictly defining goals and detail elaboration of steps which are timely and formally described and programmed,
- Large amount of energy is devoted to the methods of implementation,
- Formulation and implementation are the essential features of the system analysis: mechanistic formulation and implementation are part of the system,
- Top manager has the passive role of the strategy architect, as the person who approves the strategic plans at the end of the process. Planners' main role is to have responsibility to prepare, suggest, and evaluate all the documents for the final decision, but they do not make that decision,
- One of the ways to forecast and prepare for the future is by utilizing the scenario method. Future cannot be predicted but the scenario method is one of the ways to be closer to the future. One prepares himself thinking that one of the scenarios will appear as the real future,
- First is the emphasis of the detail analysis of the potential strategies and then voting and deciding about the best one,
- Comparison and selection of strategies is possible with the use of many methods and techniques,
- The process of implementation is divergent by nature, while the formulation is more of a convergent process,

- Process of formulation is strictly formalized, while the process of implementation allows the freedom of rationality, analysis, delegation via hierarchical level downwards, and
- Planning becomes programmed while the whole process is pretty much planned in detail and there is a detail plan of planning (Steiner, 1969, p. 234) with the exception of highly risky or unpredictable events that are excluded from the analysis (Mintzberg, 1973, p. 48).

The ultimate goal of the firm, according to this school is profitability (Whittington, 1993, p.11) which can be gained via rational long-term planning, by rationally utilizing scarce resources and rational decisions which will result in high profitability. Rationality can be reached by separating the formulation from the implementation process.

2.3. Environmental School of Strategic Management

The Environmental school of strategic management integrates common features including all those factors functioning outside the firm, which directly and in a large degree influence the process of strategic management. This school believes that these factors prevail during the process of forming a strategy. Unfortunately, they cannot be influenced on, changed, nor can their strength, character or intensity be refocused. It is important to point out that these factors are created within the environment, but they have an effect within and on the firm.

Among this school are (Mencer, Jelenc, 2006, p. 62): the Environmental school (Mintzberg, Ahlstrand, Lampel, 1998), the Evolutionary school (Whittington, 1993), the Learning school (McKiernan, 1996, pp. xix-xx), the Adaptive school (Mintzberg, 1973), the Ecological school (Haberberg, Rieple, 2001), the Power school (Mintzberg, Ahlstrand, Lampel, 1998, Haberberg, Rieple, 2001), the Processual school (the part on the firm's micro policy: Whittington, 1993, pp. 22-27), the Cultural school (Mintzberg, Ahlstrand, Lampel, 1998) and the Systemic school (Whittington, 1993, pp.28-39).

The Environmental school of strategic management believes that the environment is the most important and directly or indirectly the most crucial factor in strategy formulating. The term 'environment' implies all the forces present outside the firm. The environment is defined as a set of undetermined and undefined forces *out there* somewhere, actually everything not pertaining to the firm (Mintzberg, Ahlstrand, Lampel, 1998, p. 287). The notion is that the environment comprises all that is happening to the firm, though it does not originate within it, and the real cause, the bearer or the consequences is unknown.

According to this school, the process of strategic management is formed by the principle of mirror (Mintzberg, Ahlstrand, Lampel, 1998, p. 286), in which the situation in the environment is reflected on the firm, and under this influence, the firm forms its strategy. At this point, the environment takes the role of the strategist. The influence of the environment is so strong that it is questionable whether the manager has any strategic choice. However, in a more moderate form, this school sets down a range of potential decisions that could be made according to the forces and needs of the external environment. This school concentrates on various methods of environment analyses (Mintzberg, Ahlstrand, Lampel, 1998, pp. 286-287) and thus contributes to revealing different dimensions of the environment.

This school derives from the *theory of contingency*, which correlates individual environmental variables with organizational features. Consequently, it is believed that the formalized organizational structure is more adequate to a more stable environment, and thus requires more planning. These tendencies gave path to a group of organizational theorists under the name *population ecologists*, which believe that the companies die out if they do not adjust to the environment. Another group, *the institutional theorists*, believes that political and ideological pressures from the environment minimise but do not lead to a complete elimination of strategic choices.

The Contingency approach (Bruns, Stalker, 1961; Woodward, 1965; Lawrence, Lorsch, 1967 cited by Stacey, 1993, p. 61) came about as a reaction to the classical strategic management school representing the idea of a single best way of running a firm, based on the principle *it all depends* (Stacey, 1993, p. 61). The response of the contingency approach is that the best way of running a firm depends on its size, the technology used, employees and consumer's expectations, the history of the firm, the stability of the environment, concluding that different conditions demand different behavior.

The most important environmental variables influencing the firm's structure and strategy are as follows (Mintzberg, Ahlstrand, Lampel, 1998, pp. 288-291; Child, 1972, pp. 3-4):

- **Stability**- the firm's environment can vary from a stable to a dynamic state. The problems are caused by sudden changes that cannot be resolved in advance. The variability is defined in accordance with the level of changes occurring in those areas of the environment important for the firm's running,
- **Complexity** – can vary from a simple to a complex state of the environment. The complexity of environment is determined by the degree of heterogeneity and the range of activities within the environment which are important for the firm's running and to which extent does it require sophisticated knowledge about products and consumers,
- **Market diversity** – the firm's markets can fall into the range from integrated to diversified, and
- **Hostilities** – the environment varies from being mild and friendly, to being hostile. The hostility of the environment is based on the range of threats confronting the firm through external competition, hostility, or indifference, such as the firm's relations with labor unions, the government and other groups as well as the availability of resources.

Population ecologists, amongst whom the most known are Hannan and Freeman (1977) expressed in the paper *The Population Ecology of Organization* their doubts that big things in the business world, come from learning and adjustment. The features of each firm are formed soon after its founding. The variations occur on the level of the entire population, and innovations give an advantage to the firm, though the survival of the firm depends on the ability to obtain sufficient resources. Each environment has specifically formed values and limited resources. The increase in production capacities makes the limitation of resources more evident. Strategy is a process of experimenting and adjustment that inevitably lead to the collapse of some companies. The most crucial for the firm is the struggle for resources, and during this struggle, the weak die out. Those companies that meet prerequisites survive, while others are cast out. Competitive isomorphism is the result of competitive pressures that drive organizations facing the same environmental opportunities and constraints to adopt similar characteristics relative to one another.

Hannan and Freeman (Hannan, Freeman, 1977, 1984) believe that the companies are slow systems, limited by fixed asset investments, structures of power and mechanisms of allocating resources and that is the reason why companies rarely react to environmental changes fast enough. Only those companies that are already partly adjusted manage to survive, others go to the wall. The role of the leader in the cases of both success and failure is minimal.

Hannan and Freeman have profoundly shaped the research agenda in numerous areas of social science- not just the study of complex organizations, but also such fields as social stratification and inequality, economic sociology, political sociology and social movements. The representatives of this school are also Pugh (1963, 1968), Hawley (1950), Miller (1988), Burgelman (1991, 1994, 1996) and Van den Ven (1986, 1992).

The unit of analysis is the organizational population (rather than individual firms). A population comprises organizations sharing a common form of strategy that responds in similar ways to environmental forces or as a collection of essentially homogeneous firms (Hawley, 1950 cited by Mellahi, Wilkinson, 2004, p. 24). The term population ecology and organizational ecology quickly became synonymous and are often used interchangeably. Organizational ecology derives its ideas from organization theories of the 1950s called human ecology (Hawley, 1950 cited by Mellahi, Wilkinson, 2004, p. 25). Organizational ecology scholars determine four factors that determine the chances of success or failure for organizations (Mellahi, Wilkinson, 2004, p. 22-30): population density (Delacroix et.al. 1989; Hanna and Freeman, 1988; Hanna et.al. 1991; Peterson and Koput, 1991), industry life cycle (Agarwal et.al. 2002; Balderston, 1972), organization age (Baron et.al. 1994; Bruderl and Schussler, 1990; Fishman and Levinthal, 1991; Levinthal 1991; Stinchcombe 1965) and organization size (Barnett and Amburgey 1990; Hambrick and D'Aveni 1988, Wholey et al. 1992). Organizations are embedded in their environments and therefore external factors have more explanatory power than firm level factors (McGahan, 1997, Rumelt 1991 cited in Mellahi, Wilkinson, 2004, p. 22).

Hannan and Freeman propose that organizations facing similar environmental conditions within a population tend to be isomorphic to one another due to the similar internal and external constraints imposed upon them. The members of an early population are similar to one another in terms of their organizational forms because they occupy the same macro niche. As competitive dynamics within a population evolve over time, competitive selection pushes less fit organizations out of the population: consequently, the resources freed up by less fit organizations migrate to new or existing organizations. Organizations facing competition also tend to differentiate themselves from one another to enhance their chances of survival. This process of competition therefore increases the heterogeneity of organizational forms.

Considering the Gause's experiment from 1934 (with population of *Paramecium aureilia* and *P. caudatum*), Henderson (Henderson, 1989, p. 139) concludes that survival in a competitive environment depends on the differentiation strategies and variety. Certain combinations will necessarily be more efficient within specific environmental conditions, which will lead to the survival of some companies and collapse of others (McKiernan, 1996, p. xix). According to it, biological origin of the strategy is traceable. If we differentiate, we will survive; if we all offer the same, some of us will have to perish. Biology offers a vast number of experiments, which can be applied to strategy. Together with Darwin's principles of natural selection, there is a necessity of increasing the number of variations, selections, retention, and struggles (McKelvey, Aldrich, 1983, pp. 164-168).

There are two different aspects conflicting in this stage of discussion. One is Darwinian natural selection and the other is strategic competition supported by Henderson. Apart being a distinguished founder of the Boston Consulting Group, Henderson propounded the experience curve, and made contribution in the area of competition, the growth share trade-off, and product portfolio.

Natural competition is usually compared to biology and characterized by a process of low-risk, incremental trial and error (Henderson, 1989, p.142). Experiments with small changes are performed. Those that are beneficial are gradually adopted and maintained. It is based on adaptation and the survival of the fittest. Therefore, natural competition is evolutionary. Often it cannot keep up with a fast-changing environment and with the adaptation of competitors. There is a law named Gause's Principle of Competitive Exclusion -no two species can coexist that make their living in the identical way. In order to survive one has to differentiate.

On the other hand, strategic competition is revolutionary (Henderson, 1989, p. 142). Business strategies can use their imagination and ability to reason logically on how to accelerate the effects of competition and the rate of change. Thus, humans combine intelligent imagination, accumulated resources, and coordinated behavior to start the war or doing business. Strategy, as such, is not simple; rather it calls on the commitment and dedication of the whole organization.

The classical economic theories of business competition have the fallacy of simplicity and sterile assumptions of a rational, self-interested behavior by individuals who interact through market exchanges in a fixed and static legal system of property and contracts (Henderson, 1989, p. 143).

The Evolutionists doubt in the firm's ability to adapt itself to the environment in a defined and sustainable manner. The more complex the firm is the smaller is the possibility of adjustment. Compliance with the environment, according to Aldrich (Aldrich, 1979 in Whittington, 1993, p.19) is more a matter of luck and opportunities, even mistakes, than the result of a defined strategic choice. Business strategies are efficient/ inefficient depending whether they are on the right place at the right time. Companies should look after their relative advantages, which are not prone to copying or imitation, like, for example transaction costs. Hannan and Freeman (Hannan, Freeman, 1988, p.25), from the perspective of population ecologists, believe that efficiency can be preserved by a constant emergence of new companies, parallel with the withdrawal of inefficient companies from the market. Sometimes it is questionable whether it is favorable to form a strategy as a long-term policy, since it is better to direct our attention to short-term issues of efficiency of present business activities. One should experiment with different approaches in a smaller scope (Haberberg, Rieple, 2001, p. 650). Only when the positive results of an initiative are established, should one make new investments and mid-term plans. Many versions should be launched on the market, evenly allocating resources, and the market will choose the best version to which more resources should then be dedicated (Whittington, 1993, p. 11).

Institutionalists led by Max Weber, the ancestor of the organizational theory, believe that companies are shaped based on strict and formal technical and managerial rationality. This theory sees the environment as a container of two types of resources: economic and symbolic. Economic resources are those that are tangible, such as money, land, and machinery, while symbolic resources include reputation of efficiency, leaders recognized for their achievements.

Strategy becomes the mean of acquiring economic resources and their conversion into symbolic and vice versa, with the aim to protect the firm from unpredictable and surprising features coming from the environment. The environment is a combination between key suppliers, buyers, and competition. With time, this becomes a larger, more complex, and powerful set of norms dominant in practice. If it wants to succeed, the firm must comply with the norms. Hage (Hage, 1976 cited in Mintzberg, Ahlstrand, Lampel, 1998) believes that companies themselves choose the restrictions to which they will adapt, limiting thus their strategic choices.

Whittington's Evolutionary (Whittington, 1993, pp.17-22) and McKiernan's Learning school (more precisely part about "natural selection", McKiernan, 1996, p.xix) talk about how the companies emerge in accordance with the principle of natural selection in the unpredictable and complex environment. Adjustment is a prerequisite for survival. Planning is not completely abandoned; it represents only one of the supporting activities of strategic change. The evolutionary approach is not completely sure whether the top manager is capable of planning and acting rationally. They believe that the market, and not the manager, is a far better regulator of maximizing the profit. In this way, only the best will succeed, while others, no matter which method they use, will not be able to remain on the market. Evolution is a natural cost-benefit analysis, which rewards the best and expels weaker from the market. Human beings are on the top of the evolutionary chain, but are still a part of that system and therefore the rules within that system refer to people as well (Henderson, 1989, p. 143). It is the market, not the managers, that decides which strategies are most adequate for a specific environment. Penrose (Penrose, 1959, Whittington, 1993, p. 19) concludes that oligopolistic markets are functioning on the exactly opposite principle. The firm - due to its size and power - chooses the market, not the other way round.

The Adaptive School of Strategic Management

The adaptive way of forming strategy (Mintzberg, 1973, p. 46) sprang from the work of Lindblom and Braybrook's *A Strategy of Decision* dating from 1963. What characterize the adaptive approach of this school are the following facts (Mintzberg, 1973, pp. 405-406):

- There are no clearly defined goals; the strategy is a reflection of the political influence of individual interest groups within and outside the firm. There is no central position of political power and no simple goals. The firm ignores the inconsistency between goals. The firm cannot achieve the maximization of profit, but has to find a solution to the problems good enough to meet the restrictions,
- The process of strategic management, by its character, reacts to the emerged problems, contrary to the active approach towards new opportunities. In a constantly changeable environment, there are many issues to be solved, and if there were time for exploring new opportunities, the lack of goals' clarity would make the soundness of such action impossible,
- Decisions are made in a step-by-step rhythm. Since we are dealing with a complex environment, the firm cannot risk making a wrong important decision. It should make a number of smaller decisions whose feedback will lead to a correct final decision. Forming a strategy is an endless process of successive steps in which continuous *nibbling* replaces *the big bite* (Lindblom, cited in Mintzberg, 1973, p. 47),
- Individual demands put in front of a firm are contradictory and the manager does not have the mental capacity to reconcile them. The process of forming strategy is fragmented by nature but remains flexible.

The Power School of Strategic Management

The Power school of strategic management believes that the process of forming and developing a strategy is by its basic character an open approach in which the stronger and more powerful influence has a wider control over the formation of strategy. It emphasizes the use of politics and power, during the formation of strategy in terms of satisfying specific interest spheres. In this context, power is conceived as practicing influence beyond strictly economic spheres, i.e. outside the usual market forces, even though it is hard to establish the subtle border between economic and political goals (Mintzberg, Ahlstrand, Lampel, 1998, p. 235). The necessity of coexistence of different interest groups within the firm is a situation in which the privileges of one interest group depend in a large scale on the existence of the privileges of another. The interaction among different individual's and group interests creates mutual tensions and conflicts. Thus, the negotiations and compromises become a necessary component of reaching individual's or groups' goals and satisfying their interests (McKiernan, 1996, p. xxi; Pettigrew, 1977, p. 82).

There are two spheres of power (Mintzberg, Ahlstrand, Lampel, 1998, p.235). Micro power speaks of the influence of politics within the firm, while macro power understands the power used by the firm in its interaction with the environment, and vice versa. Strategy is formed under the influence of politics and power, as a process inside the firm but simultaneously occurring outside the firm (Mintzberg, Ahlstrand, Lampel, 1998, p.235).

The literature on this school is quite scarce, but in time, that in the areas of joint ventures and strategic alliances has increased. However, this does not mean that there was no such influence in companies on forming strategy, but the topic was too delicate to be explored. This topic is more dealt within the framework of political sciences and public administration. The first works on this topic emerged in the 50's, the works of March, Etzioni, Cyert, Emerson, Hinings, Burns and Stalkner, Crozier, Lawrence, Lorsch, Perrow and others. In the late 70's there were works of MacMillan (1978), Simon (1977), Johnsen (1968), Child (1972), Eliasson (1976), the studies of Sarrazino (1975), Pettigrew (1977, 1992), Hickson (1971), Pfeffer and Salancik (1978), Bower, Doz (1979) and Ranson (1980).

The fundamental goal of **micro power** is to implement the reality of business life into strategic management: the firm is composed of individuals, which have their own dreams, wishes, interests, and fears. The process of forming strategy is a process of negotiations, compromises among conflicted individuals and coalitions. The micro power sees strategy as a game of persuasion, deals, and direct confrontations.

The representatives of this school state that it is not possible to either formulate or implement the optimal strategy; the formed strategy is liable to different individual and group goals. They try to obstruct anticipated strategy at each step by playing *political games* inside the firm.

Bolman and Deal (Bolman, Deal, 1997) presented the world of organizational politics:

- Companies are coalitions between different individuals and interest groups,
- There are numerous complex and mutually intertwined relations within the context of the system of values, notions, beliefs, interests and reality perceptions,
- The most important decision refers to the allocation of the scant resources,

- Since the allocation of the scant resources is a common goal, the conflict and power of individual interest groups is stressed, and
- The decision is reached through the process of bargaining and negotiations for the position among different position groups.

The Power school believes that the roles of organized and unorganized individuals should be better comprehended and understood. Through their interaction emerges a strategy that is not optimal. In fact, the strategies will reflect only the influence of the most influential group in the firm. The new strategic direction also marks the changes in power relations. Political maneuvers make it harder for the firm to reach the moment of forming strategy, no matter if it is a question of strategy that is planned and defined or an emerging one. Different forces act in different directions and make strategy forming impossible. Therefore, goals should be achieved one by one. Strategies result from political processes. Sometimes, even one political decision may appear as a precedent and at the same time establish a practice. Strategy under the influence of politics has a formulation tempo step-by-step, where each step represents a progress in negotiations (Mintzberg, Ahlstrand, Lampel, 1998, p. 242).

Macro power reflects the mutual relation between the firm and the environment. The firm has to deal with the suppliers and buyers, labor unions and competition, investors and the legislative power, as well as with the growing list of groups putting pressure on the specific segment of the firm's business in addition to the environment with all its forces and influences.

The firm has at its disposal three basic strategies (Mintzberg, Ahlstrand, Lampel, 1998, p. 249):

- The firm can deal with the demand as it comes – after a problem is solved, another one takes its turn to be solved,
- The firm can strategically keep and give out information. Individual groups are relatively satisfied, depending on their expectations, former experience and the data about the profit of the competitive groups, and
- The firm can direct one group against the other.

Considering the explained nature of the strategy forming process based on interested parties, it is recommended (Freeman, 1984, u Mintzberg, Ahlstrand, Lampel, 1998, pp. 250-251):

- The analysis of the interested parties' behavior, the creation of the prerequisites for future cooperative behavior and the announcement of the competitive threats which could obstruct the realization of the firm's goals,
- Logical explanation of the interested party's behavior, and
- The analysis of each interested party and possibilities of coalition.

Given analysis can result in four generic strategies (Freeman, 1984, Mintzberg, Ahlstrand, Lampel, 1998, p. 251): offensive (attempts to change and replace stakeholders' goals), defensive (integrating and redirecting to those questions which are considered important by the stakeholders), maintaining the status quo and changing the rules.

The aim of the strategic maneuvering policy (Mintzberg, Ahlstrand, Lampel, 1998, p. 252) is to achieve individual goals without the destructive physical confrontation. Maneuvering is used to show the rival that negotiating on mutual agreements is a wiser thing to do, than to struggle over it. It can somehow be related with diplomacy as a blend of threats and promises, with an aim to gain an advantage.

Bruce Henderson (Henderson, 1989, p. 142) emphasizes that the firm's management must convince all competitors to stop using (looking at things through) short term measures in order to gain profit or attract customers. Persuasion of that kind cannot be achieved by analysis or deduction, but with emotional and intuitive factors.

Companies do not do business in isolation; therefore, the process of forming a strategy is composed of establishing and respecting the complex network of relations, interaction between people, organizations, buyers, suppliers and competition. The power is a reciprocal ratio. It does not depend on what one participant can do, but also how the other participants react to him (Wildavsky, 1973, p. 132).

The presence of a political power system within the firm can have a Darwinian effect, making it possible only for the strongest and the most powerful members of the society to acquire the position of a leader. Politics enable seeing things from different points of view in a form of debates, while any other system of influence can promote only one form or one side. In the same manner, politics promote changes and flexibility, enabling changes to be carried out easily, or on the other hand, maintaining status quo, as well as making implementation easier and faster.

Political games (Mintzberg, 1983, p.198) are defined by a set of laws and rules. Power enables an individual or a group to force or convince somebody to do something that is not wanted or cannot be done, or was not even thought of by others (Stacey, 1992, p. 41). However, this school does not deal with reasons of power or how it is acquired, or with soundness or unsoundness of the content offered by some powerful individuals.

The firm strives for profit, but not all activities are optimized towards that goal. In fact, there are numerous individual goals, often in conflict. They tend to be, through mutual negotiations and bargaining, harmonized, formed in a way, which will leave everyone at least partly satisfied. This is done in order to let the firm function towards the envisaged goal. The implication is that during the forming of strategy the main objective is not the maximization of profit but the achievement of political compromise. Therefore, there is a system of procedures and routines, adaptive rationality and postulates of political existence present within the companies (Whittington, 1993, p. 24). The market tolerates the firm's imperfections and its *non-maximization* of profit, because the profit is present, stakeholders are satisfied, and they do not recognize the necessity for changes. The implication is that the companies meet the needs, not the maximization. It is not particularly important to what extent the strategies are wrong, as long as they give the managers the sense of actions and assurance.

The Cultural school of strategic management

Culture is in the center of interest and research of anthropologists. The Cultural school is trying to join individuals into an integrated unit – the firm. Culture speaks of diversities that make us different, at the same time finding features that make us alike. The importance of the culture within the context of strategic management was discovered in the 1980's, during the research and study of the reasons why Japanese companies are so successful (Mintzberg, Ahlstrand, Lampel, 1998, p. 264).

Within some companies, cultural influence is so strong that it makes culture an ideological force that dominates over the other firms' characteristics (Mintzberg, Quinn, 1992, p. 177). It is composed not only of the culture that dominates in the firm's environment, but also the practice of the firm that supports this culture.

Ideology implies that the system is enriched with values and beliefs, which is common to all employees, and therefore is different from any other firm (Mintzberg, 1983, p. 179). Organizational culture is defined as a set of beliefs, habits, practice, and the way of thinking that they share among each other through mutual work. On the visible level, the environmental culture takes the form of a ritual behavior, symbols, myths, stories, and sounds (Stacey, 1993, p. 41). The culture is a set of mutual values, beliefs, and norms. Mutual values refer to the importance which firm gives to the aspect of the quality of the product, services and behavior toward employees. Beliefs are the ideas that employees have about themselves and the firm in which they work. Norms are unwritten rules that guide them through interactions and behaviors (Flamholtz, 1995 cited in Flamholtz, Hua, 2003, p. 225).

The research of the culture includes two main directions of development: *objective* point of view of the external observer and the *subjective* point of view of the participant of the observed phenomenon. These interpretations are spread and exchanged on the sample of a group of people in the social process. Therefore, the organizational culture is identified with common knowledge. It becomes the brain of the organization, mutual notion, belief that reflects in tradition, practice, but also intangible manifestations – stories, symbols and products. Pettigrew said that the culture represents the soul of the physical body of the firm. The greater unawareness of the implementation of the certain terms, the more present is the culture in that environment. Industrial recipes are no more than recipes of individual cultures. Roth and Ricks (Roth, Ricks, 1994) pointed out that national culture affects how the environment is perceived by creating different strategic responses of the same firms in different countries.

Studies conducted by Pettigrew (Pettigrew, 1985 cited by Mintzberg, Ahlstrand, Lampel, 1998, p.268) point the important cultural characteristics, Feldman (Feldman, 1986) speaks about the relation between the culture, and strategic change, Barney (Barney, 1986) asked himself whether the culture could be the source of a sustainable competitive advantage. Connections between the concept of the culture and the strategy are traceable in several segments (Mintzberg, Ahlstrand, Lampel, 1998, pp. 269- 272):

- **Decision-making style** – the culture affects the way of thinking and analyzing, and therefore the process of forming and adopting a strategy. It is only a question of the dominant logic that prevails in the way problems are perceived, approached, and solved. Companies with different cultures, function in different ways in the same environment,
- **Resistance to strategic changes** – the culture encourages firm’s behavior consistency; old logic must be *unlearned* and *forgotten* within the firm. The culture implies deep and intangible assumptions that prefer resistance to changes. Karl Wick pointed out that “firm has no culture, firm is the culture. Thus it is hard to change it”,
- **Overpowering resistance to strategic changes** – the leading role belongs to the top management that has to implement innovations and flexibility. Radical change of the culture suggests four steps (Bjorkman, 1989 cited by Mintzberg, Ahlstrand, Lampel, 1998, p. 271): strategic discrepancy (increasing the difference between system of beliefs and characteristics of the environment, unblocking the current system of beliefs (financial difficulties, tension growth), experimenting and reshaping (confusion period, new strategic vision, first indications of positive results), stabilization (anchoring new steps),
- **Dominant values**, and
- **Cultural clash** in cases of mergers, acquisitions, and joint ventures.

The Systemic School of Strategic Management

This school specially accents the sociological aspect and the environment of the firm's business activities. It presumes that the understanding of the rationality is subject to the sociological context (Whittington, 1993, pp. 28-39). The motto of this theory is that the behavior of the individual within the firm can be explained with the individual's affiliation to a certain social system, more accurately, to a set of social relations with the family, state, professional and educational background, religion and nationality, sex and social class. This sociologically dependent behavior reflects on *modus operandi* defining what is acceptable, desirable and what is not, i.e. what is shameful and punishable. Precisely because of that, there are firms that encourage different ways of competitiveness in different countries, depending on the cultural milieu and sociological characteristics. Even the multinational companies keep, in their top, a strictly local identity of the headquarters. In this context, institutional ecologists of the organization (Meyer, Rowan, 1977; DiMaggio, Powel, 1983) emphasize the social pressure of harmonizing with the local forms of rationality.

Certain forms of strategy reflect on and support restrictions of a particular society. Whether the types of social relations are Anglo-Saxon or Japanese-German, there are certain differences in the comprehension of the strategy and its importance in society. In the same manner, the influence of the owner perishes, and the influence of the managers grows, creating new managerial capitalism. Strategy in this context reflects the needs of the professional managerial class. Societies are too complicated; people are too individual to expect uniformity of behavior. Every strategist should analyze his social characteristics, characteristics of his colleagues, partners, and competitors to acquire an image of social discourse diversities and rules of acceptable behaviors (Whittington, 1993, p. 31). The Systemic school questions the soundness of a unique strategy model.

According to Schendel and Hofer (Schendel, Hofer, 1979) a major problem in the environmental analysis, besides the difficulty of accurately forecasting future values of particular variables, is to know what factors to examine in the first place (Schendel, Hofer, 1979, p.14). In other words, an inaccurate forecast may be less serious than overlooking an environmental factor (Schendel and Hofer, 1979).

2.4. Competitive School of Strategic Management

A key word in this school is competition, as the driving force and the mean to distinguish from others, benefit from the difference, and accomplish success. Taking into consideration all the features described before, this school regards that the source of competitive advantage is the cornerstone for the firm and the main task is to realize, establish, develop, and maintain competitive advantage. Competitive advantage⁶ might be considered on the level of industry – Positioning school (Mintzberg, Ahlstrand, Lampel, 1998; McKiernan, 1996), level of the firm – Entrepreneurship school (Mintzberg, Ahlstrand, Lampel, 1998; Mintzberg, 1973) or on the level of the individual – the Visionary school (Haberberg, Rieple, 2001; visionary part of the learning school by McKiernan, 1996, p.xx) or resource-based school (McKiernan, 1996).

⁶ There are a plenty of ways how to classify the sources of competitive advantage. One possible classification is (Čater, 2003, p. 30); hypothesis based on the school of industrial organization (Porter), hypothesis based on resources, hypothesis based on the capabilities and hypothesis based in knowledge

Positioning School of Strategic Management came up as the answer to the questions set by American scientists upon the request to apply theory of microeconomics in the most pure form (McKiernan, 1997, p. 793). Porter regards that the source of competitive advantage derives from the connection of the firm and its environment. The connection is by nature an outside-in approach where the environment determines the business conditions for the firm.

Michael E. Porter in his book *Competitive strategy* developed the model of the *Five Competitive Forces: Techniques for Analyzing Industries and Competitors* in 1980. Since that time, it has become an important tool for analyzing an organizations industry structure in strategic processes.

Porter's model is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should base on understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry (Porter, 1980, p. 4). Profit potential is measured in terms of long run return on invested capital (Porter, 1980, p.3). The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter's model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry.

There is also a suggestion to add one more element - "others" (Freeman, 1984, pp. 140-142 cited by Mencer, 2003, pp. 62-63) which takes into consideration relative power of the syndicate, government, local community etc.

Porter contributed to the analysis on three levels with different models; with Porter's diamond for the national model of competitiveness, Porter Five Forces for the industry level and Porter's generic strategies for the firm or SBU level of research.

The second name of this school might be analytical, while there is a strong emphasis on calculations and analysis performed by the consultancy firm followed by deciding on which of the alternatives might be the optimal strategy. There is a tendency to formal environment analysis and in that sense there is a common point with the classical school of strategic management.

Entrepreneurial School of Strategic Management puts the entrepreneur as the source of impulses while formulating strategy, stressing the most innate of mental states and processes- intuition, judgment, wisdom, experience, insight. Entrepreneurial strategy is deliberate and flexible in its broad lines, and sense of direction, emergent in its details that are adopted on the route. The affirming box develops the metaphor of strategic thinking as "seeing." The root of entrepreneur is in the neoclassical economic theory. The initial era of entrepreneurship (Meyer, Neck, et.al. 2006, p.19) dates back to the concepts introduced by early economists Knight (1921), Schumpeter (1934) on new resource combinations and waves of creative destruction driven by entrepreneurs, and Penrose (1959) about the entrepreneurial services and productive opportunities. Hayek (1945) introduced mutual learning and market participant awareness. Later Kirzner (1973, 1997) expended the work of Hayek and introduced "entrepreneurial discovery." According to Kirzner (Kirzner, 1973) entrepreneurship is not economizing individuals, but rather they have alertness to opportunities that already exist in the market.

The most recognized definition of entrepreneurship is the one by Schumpeter (1934) according to which entrepreneurship is seen as a new combination including doing of new things or doing of things that are already being done in a new way. New combinations include introduction of new resources and goods, new method of production, openings of a new market, new sources of supply, and new organizations. Kirzner (1973) defines entrepreneurship as the ability to perceive new opportunities. This recognition and seizing the opportunity will tend to *correct* the market and bring it back to equilibrium.

Entrepreneurial school of strategic management has some level of similarity with the classical school of strategic management. It is evident in the formal leadership and recognition of the top manager – entrepreneur as the architect of the strategy. Entrepreneurship is characterized with the urge to apply the approach to accomplish more with less (Cristensen et.al., 1985, p. 667). The essence of entrepreneurship is creation (Lumpkin and Dess, 1996; Shane and Venkatarman, 2000). Innovation, often the foundation of creation, is critical for any form (large or small) to compete effectively in the twenty- first century' landscape.

There is a lot of popular literature, which presented individuals and their success stories with the numerous biographies and autobiographies. Because the success of the firm depends on the individual – leader of the firm and its vision, the main emphasis is on the characteristics of that individual, features of the leadership, and character.

Entrepreneur does not have the depth of knowledge which expert does, but entrepreneur is the one that has the ability to recognize and realize the opportunity how to use the knowledge of the expert. The expert usually is knowledgeable but he/she is not aware or does not know how to explore the opportunity (Alvarez, Busenitz, 2001, p. 763). Joseph Schumpeter (Schumpeter, 1950 u Mintzberg, Ahlstrand, Lampel, 1998, str.125) introduced his famous notion of creative destruction. This keeps capitalism moving forward and the driver of that engine is the entrepreneur. Entrepreneur is not necessary somebody who puts up the initial capital or invents the new product, but the person with the business idea. Ideas are elusive but in the hands of the entrepreneurship, they become powerful as well as profitable.

Knight (Knight, 1967 cited in Mintzberg, Ahlstrand, Lampel, 1998, p.129) saw entrepreneurship as the synonymous of heavy risk, and handling of the uncertainty. Entrepreneurship can be in the form of:

- The founder of an organization,
- The manager of the self-owned business, and
- Innovative leader of the organization owned by others.

Studies (de Vries, 1977; Colins, Moore, 1970; McClelland, 1961 cited by Mintzberg, Ahlstrand, Lampel, 1998, p. 128-135) about the personality of the entrepreneur found out that they are tough, pragmatic people driven from early childhood by powerful needs for achievement and interdependence. Among the various attributed characteristics is the resentment of the authority, and a tendency to accept moderate risk. The entrepreneur is not a gambler or a speculator but a calculator (McClelland, 1961, p.70 cited by Mintzberg, Ahlstrand, Lampel, 1998, p. 132). He/she is a revolutionary with the short-term direction in contrast to the administrator's evolutionary actions with the long duration (McClelland, 1961, p.89 cited by Mintzberg, Ahlstrand, Lampel, 1998, p. 132). On the other hand, entrepreneur can express strong biases toward decision-making they are prone to overconfidence, also to over generalize from a few characteristics or

observations. A specific characteristic is that in the period of the crises they do not seek security. Rather they go on into deeper insecurity (Collins and Moore, 1970, p.134).

The main premises of the entrepreneurial school are (Mintzberg, Lampel, Ahlstrand, 1998, pp. 133-136, 143):

- Strategy making is characterized by the active search for new opportunities. The entrepreneurial organization focuses on opportunities, problems are secondary,
- Organization's power is centralized in the hands of the chief executive,
- Strategy making in this mode is characterized by dramatic leaps forward in the face of uncertainty,
- Growth is the dominant goal of the entrepreneurial firm,
- Strategy exists in the mind of a leader as a perspective, especially as a sense of a long-term direction, a vision of the organization's future,
- Process is semiconscious at best, rooted in the experience and intuition of the leader, whether he/she or she actually conceives the strategy or adopts it from others and then internalizes it in his/her own behavior,
- The leader promotes the vision obsessively, maintaining close personal control of the implementation in order to be able to reformulate specific aspects as necessary,
- The strategic vision is thus malleable, as entrepreneurial strategy tends to be deliberate and emergent how the details of the vision unfold, and
- Entrepreneurial strategy tends to take the form of a niche, or more market niches protected from the forces of outright competition.

There are three Schumpeter's well-known typologies of entrepreneurship (Schumpeter, 1934):

- The main types of entrepreneurial behavior; introducing a new good, introducing a new method of production, opening a new market, conquering a new source of raw materials; reorganizing the industry in a new way (Schumpeter, 1934),
- The second deals with the three forms of entrepreneurial motivation: the desire to found a private kingdom or dynasty: the will to win, to fight and to conquer: and the satisfaction that comes from creation and problem solving, and
- The final typology concerns the factors that inhibit the expression of entrepreneurship action. There is firstly, the nature of an innovative task: because it is new, it will be more difficult to plan and understand than with well-established and customary activities. Second, there is the inertia that «lies in the psyche of the businessman himself» (Schumpeter, 1934, p.86): the human tendency to resist deviating from accustomed, routine, and habitual ways of acting, even if a better alternative is available. Finally, there is the fear of casual sanctioning; the condemnation and disapproval that is headed upon iconoclasts and deviants, to overcome these inhabitations, contends Schumpeter, and individual needs unusually strong will and great «personal weight».

After sixty years, this typology actually developed in the more sophisticated research direction in the entrepreneurship as a scientific field (Meyer, Neck, Meeks, 2002, p. 23):

- Individual entrepreneur (McClelland, 1961; Collins and Moore, 1970; Hornaday and Aboud, 1971; Hull, Bosley and Udell, 1980),
- Behavior and actions (Gartner, 1988; Busenitz and Barney, 2001),
- Opportunity recognition (Kirzner, 1973, 1979; Kaish and Gilad, 1991; Herron and Sapienza, 1992; Gaglio, 1997),

- Entrepreneurial teams (Slevin and Covin, 1992; -cooper and Daily, 1997; Ensley et.al. 1999),
- Organization growth (Churchill and Lewis, 1983; Eisenhardt and Schoonhoven, 1990: Covin and Slevin, 1997),
- Firm performance (Cooper, 1993; Chandler and Hanks, 1994; McDougall et.al. 1994), and
- Economic impact (Baumol, 1986; Birch, 1987; Kirchoff, 1991; Acs, 1999).

Visionary school of strategic management is based on the belief that vision is actually the mental representation of strategy created or at least expressed in the head of the leader. The vision serves as the inspiration, guiding idea, and less than a fully articulated plan. Vision comes up from the military doctrines, early entrepreneurship roots and from aspiration of rich and powerful people. Vision is about the individual who creates, coordinates, and controls strategy formulation and implementation. Because one person is in charge of the whole firm, it is a risk to give the responsibility to one person who might be the visionary or just presented as one. Scholars researching about these issues are Drucker (1970), Pinchot (1985) and Mintzberg (1973).

The school of strategic management based on the resources and capabilities- the resource-based view or approach is a stream of research yearning to become a theory on its own. Classical school of strategic management created a balance between the inner and outside view of the strategy formulation process equally analyzing external forces- threats and opportunities in the environment and internal forces- strength and weaknesses of the firm. The industrial organization analysis (Porter, 1980; Caves 1982); both the Harvard (Bain, 1968; Mason, 1957) and Chicago (Demsetz, 1982; Stigler, 1968) schools of industrial organization thought, emphasized only one part- the environment and the industry forces, which influence the strategy formulation process more than other. The resource- based view is emphasizing strongly the other half of the classical approach- the internal focus on the firm and its resources- distinctive capabilities (Andrews, 1971; Ansoff, 1965; Selznick, 1957) as the most influencing forces when formulating strategy process. Industry organization analysis and resource-based approaches are as “two systems of belief”, each stressing its own belief about the factors more powerful in strategy formulation process. The popularity of resource-based approach, and according to some authors even perceived as the dominant approach to strategic management (Foss, 2005, p.2), probably lies in the sociological embeddedness of this approach in the “context”. One of the reasons could be that it dug deeper into the “deep structure” of competitive advantage than previous approaches (Foss, 2005, p. 3) and managed to explain some of the phenomena that could not be explained before.

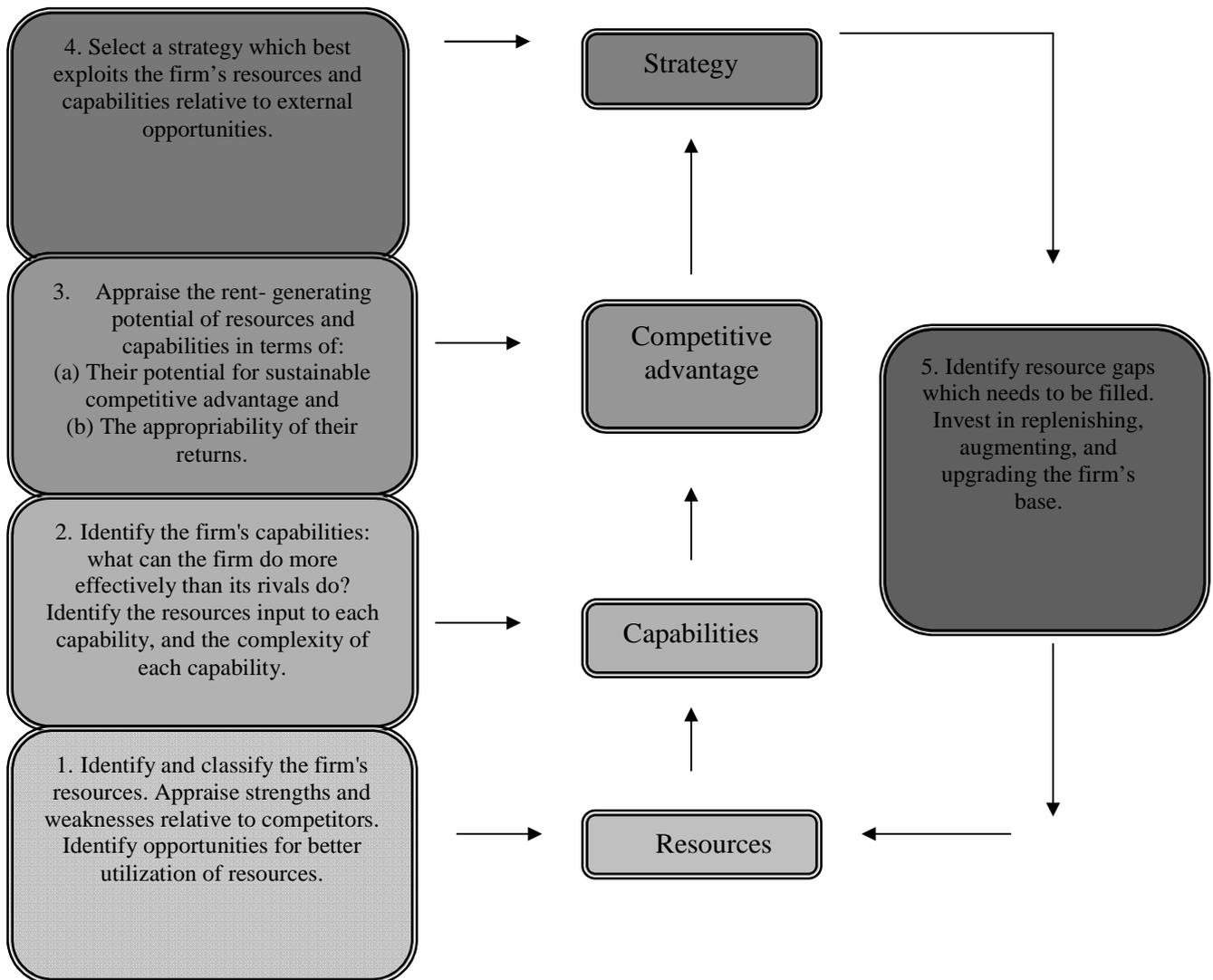
The resource- based view has argued that the firm is best to be viewed as a bundle of resources or factors of production that management must deploy systematically to add value (Barney, 1991; Wernerfelt, 1984). In the language of traditional strategic analysis, firms’ resources are strengths that firms can use to conceive of and implement their strategies (Learned, et. al., 1965).

Only those attributes of a firm’s physical, human, and organizational capital that enable a firm to conceive of and implement strategies that improve its efficiency and effectiveness are firms’ resources (Wernerfelt, 1984) or strategic resources. One of the suggested classification of resources is (Barney, 1991, p. 101, Grant, 1991, p. 119): financial resources, physical capital resources (Williamson, 1975), human resources (Becker, 1964), organizational capital resources

(Tomer, 1987), and technological capabilities. Grant (Grant, 1991, p. 119) added the sixth type of resources- intangible resource (e.g. reputation).

Resource-based view does not stop on the level of the resources, but regards resources as the foundation for the capability level analysis. Penrose (Penrose, 1959, p.25) makes a crucial distinction between resources and capabilities (services of resources). For her, resources consist of a bundle of potential services and can be defined independently of their use. On the other hand, services imply a function and an activity. Penrose (1959) is suggesting that resources are stockpile and capabilities (services) are flows.

Picture 6: A Resource- based Approach to Strategy Analysis: A Practical Framework



Source: Grant, 1991, p. 115

The assumption of the resource-based view is that the firm's resources are heterogeneous and immobile. In order to have the potential of competitive advantage resources should be; valuable, in the sense that they exploit opportunities and /or neutralize threats in a firm's environment; they

must be rare among a firm's current and potential competition; they must be imperfectly imitable and there cannot be strategically equivalent substitutes for these resources that are valuable but neither rare nor perfectly imitable (Barney, 1991, p. 105-106). There are plenty of resources in the firm, but only the ones, which have those characteristics (Barney, 1986, Mahooney and Pandian, 1992), are the ones that could create competitive advantage of the firm (Picture 6).

A firm is said to have a competitive advantage when it is implementing a value creating strategy that is not simultaneously being implemented by any current or potential competitor. One step further, a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy that is not simultaneously being implemented by any current or potential competitor, and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991, p. 102). Dynamic capabilities are created over time and may depend on the history of the use of resources in an extremely complex (path dependent) process.

The idea about resources was seeded by Penrose (Penrose, 1959), developed in the conceptual paper by Wernerfelt 1984, selected as one of the most influential papers published in *Strategic Management Journal* prior to 1990. Wernerfelt suggested resources and products as two sides of the same coin in the firm (Wernerfelt, 1984, p.171). Barney (1986), and Dierickx, Cool (1989) focused more on the strategic resources while Barney (1991) was the first suggesting characteristics of the attribute in order to become firm's resources. Prahalad and Hamel (1990) talk about core capabilities, while Teece, Pisano and Schuen (1997) introduced firms' dynamic capabilities.

Other notable contributions include Lippman and Rumelt (1982), Teece (1980, 1982), Nelson and Winter (1982), Rumelt (1984, 1987), Wernerfelt (1984), Barney (1986, 1991), Dierickx and Cool (1991), and Mahoney and Pandian (1992), Peteraf (1993).

2.5. Contemporary School of Strategic Management

Contemporary school of strategic management embraces ideas and movements that are the topic of current discussions in the strategic management field. The ideas presented in this school have developed during an extended period, but their popularity and acceptance have just started to accelerate. There are two distinctive directions of this school: cognitive notion and importance of collaboration (Jelenc, 2004). The latter, analyzes specific features of the process of strategic management. The knowledge gained in the fields of psychology, anthropology, and biology helped to put a different light on the understanding and managing the process of strategic management.

The importance of collaboration is the characteristic of this school. It has an advantage over the competitive fight. Understanding oneself and the others is the key feature in the process because competition weakens all the players (Chaharbaghi, Willis, 1998, p. 1021). In that way, it is more important to learn how to distinguish from others, collaborate with each other, and in that way find a way to winning.

There are several schools under the name of contemporary school of strategic management: cognitive school (Mintzberg, Ahlstrand, Lampel, 1997), part of the processual school about cognitive boundaries (Whittington, 1993, p. 22-24), learning school (Mintzberg, Ahlstrand,

Lampel, 1998), part of the incrementalism in learning school (McKiernan, 1996, p. xix) and interpretative school (Chaffee, 1985, pp. 93-95).

Cognitive school of strategic management

Cognitive school of strategic management elaborates one segment of the process of strategic management that is the most appealing for all managers. The mental processes are happening in the heads of strategist while working on the strategy formulation process. Other schools of strategic management are involved in determining prerequisite, internal, and external key factors influencing the process of strategic management, while cognitive school works more on describing what is going on in the heads of the strategist- the *black box*, when deciding about the strategy. Cognitive school researches the questions about the ways strategist think, what do they take into consideration, how do they connect facts while forming opinions, how do they make conclusions...The main motto is *I'll see it when I believe it* (Mintzberg, Ahlstrand, Lampel, 1998, p.150), they concentrate on the secrets of function of the human brain. The cognitive school is introducing knowledge from the field of cognitive psychology to the field of strategic management.

The original ideas of this school can be depicted in the sixties of the twentieth century, and later on in the works of Wick (1987), Anderson and Paine (1975), Shrivastave and Schneider (1984), Smircich and Stubbart (1985). In the nineties, it became the most popular area of research in the strategic management (Mintzberg, Ahlstrand, Lampel, 1998, p. 150). The school grew from sporadic studies and materials from different sources and had capacity to mature in the school of its own dealing with the cognitive phenomena in the strategy field.

Due to the fact that strategist actually do not know what is going on in their heads and how to perform a strategic decision- they are largely self- taught. Their direct experience forms their knowledge structures and thinking processes. That direct experience shapes what they know, which in turn shapes what they do, thereby shaping their subsequent experience.

The individual level of processing information intended for the strategic decision is limited in several ways. Simon popularized the notion that the world is large and complex, while human brains and their information-processing capacities (Simon, 1947, Simon and March, 1958 cited in Mintzberg, Ahlstrand, Lampel, 1998, p. 151) are limited. Therefore, any decision making cannot be rational, rather based on the bounded rationality with flaws, fallacies, and misinterpretations.

Cognitive school bases its approach on cognitive maps. There are frameworks within which we realize what is regarded as normal, accepted, and suggestive way to behave. In the El Sawy and Pauchant's study (1988) there is a significant difference between how the individual and groups influence each other. If the individual resembles from the group attitude, group will put pressure on the individual in order to change him until he/she accepts the group way of thinking. Top managers learn how to behave based on the (un)successfulness of their actions. If a certain type of behavior does not have good results, they will not practice it anymore. Throughout the time, managers form a pattern of behavior, which becomes dominant. Recognizing this pattern is a basic cognitive ability, which is in a large extent used in the genetics, seismology, medicine, and meteorology in order to be able to draw some conclusions based on the formulated patterns. Seizing the pattern is an art and skill that is very useful in the business environment (Slywotzky, Morrison, 2000, p. 13).

Being aware of the cognitive maps gives an advantage in understanding and predicting the behavior of colleagues or competitors. Not just the behavior of others, but ones own behavior and in that way being able to improve and confront problems in a most appropriate way.

When looking closely to the cognitive style that strategist use, there are several popular classifications like Belbin's and Myers- Briggs Type Indicators (MBTI). Myers- Briggs Type Indicators in 1962 is the most popular cognitive styles typology based on the work of Karl Jung. Each individual has four types of temperament (<http://www.boomspeed.com/zsnp/mbti.htm>, 13.04.2007):

- Extroverts (naturally active, expressive, social) and introverts (reserved, private, cautious, and interested in fewer interactions with greater depth and focus),
- Sensors (simple, practical, trust past experience and have good common sense)- intuitive (imaginative, deep, creative, theoretical people who often rely on their hunches),
- Thinkers (firm, cool, reserved, analytical and are convinced by logical reasoning) – feelers (sensitive, empathetic, in constant search for harmony), and
- Judgers (scheduled, organized and productive)- perceivers (flexible, curious, nonconforming).

There could be sixteen combinations of different kinds of temperament. This typology is about knowing oneself and knowing the way colleagues behave in the business environment. Understanding the differences and their positive and negative consequences of the each typology (Stacey, 1993, p. 357) is important to know while collaborating within the team.

There are also a few techniques used in order to help in understanding the process of strategy formulation. Analogies and metaphors help perceive the situation from a different perspective than the traditional one (Morgan, 1997, p. 427 u Bürgi, Roos, 2003, p. 70; Palmer, Dunford, 1996). Each of the metaphors opens a new perspective looking at the problem, connecting arguments that did not seem to have been connected.

Metaphors cannot be regarded as the valid and reliable solutions to the problems but rather a figurative way of searching for insights (Von Ghyczy, 2003, p.87). Examples of the metaphors for the strategy are; jazz (Hatch, 1999), Chinese elephant (Ming, Sun, 1998), house (Pearce, Osmond, 1996), food and war (Oliver, 1999), theater (Terry, 1997).

In the process approach, one does not strive after the unattainable ideal of rational fluid action, but accepts and works with the world as it is. Rational economic man is a fiction: in practice, people are only “bounded rational” (Cyert and March, 1963). According to that, people are unable to consider more than a handful of factors at a time and they are reluctant to embark on unlimited searches for relevant information. Moreover, they are biased in their own interpretation of data, prone to accept the first satisfactory option that presents itself, rather than insisting on the best (March and Simon, 1958, Cyert and March, 1963 cited in Whittington, 1993, p. 23).

A strategist should practice a variety of types of thinking apart from the traditional one. De Bono (De Bono, 1970 cited by Liedtka, 2000, p. 198) suggests a lateral way of thinking as the contrast to the vertical (classical) way of thinking. A strategist should think out of the box challenging existing paradigms and forming new and reforming current paradigm creatively imposing tyranny of the predetermined (Kao, 1996 cited by De Witt, Meyer, 1998. p. 74).

Learning school of strategic management

Learning school accepts the notion of the complexity of the world but suggests that this can be dealt with the process of learning during a certain period. Strategy develops, as the strategist as an individual develops and learns from experience, toward the accomplishment of the ultimate goal.

The most prominent representatives of this school are Cyert and March with their work *A Behavioral Theory of the Firm* (1963) and works of Richard Normann (1977), Chris Argyris (1976), Donald Schön (1983) and Peter Senge with his work *The Fifth Discipline* from 1990, as well as *Presence* (2005) written by Senge, Scharmer, Jaworski and Flowers.

Learning for Argyris and Schön (Argyris, Schön, 1978, p. 2 cited in Smith, 2001) involves the detection and correction of an error. When the error is detected and corrected, this permits the firm to carry on its present policies or achieve its present objectives. This error-and-correction process is *single-loop* learning. Single-loop learning is like a thermostat that learns when it is too hot or too cold and turns the heat on or off. The thermostat can perform this task because it can receive information (the temperature of the room) and take corrective action. It is traditional understanding of doing, making mistakes and correcting them according to the plan. According to Dodgson (Dodgson, 1993 cited in http://www.12manage.com/methods_organizational_learning.html), single-loop learning can be equated to activities that add to the knowledge base or firm-specific capabilities or routines without altering the fundamental nature of the organization's activities. Single-loop learning has also been referred to as "Lower-Level Learning" by Fiol and Lyles (Fiol, Lyles, 1985), "Adaptive Learning" or "Coping" by Senge (Senge, 1990), and "Non Strategic Learning" by Mason (Mason, 1993).

Double-loop learning occurs when an error is detected and corrected in ways that involve the modification of an organization's underlying norms, policies, and objectives. It implies learning about learning and trying to understand how can they change and improve. Double-loop learning involves changing the organization's knowledge base or firm-specific capabilities or routines (Dodgson, 1993 cited in http://www.12manage.com/methods_organizational_learning.html). Double-loop learning is also called "Higher-Level Learning" by Fiol and Lyles (Fiol, Lyles, 1985), "Generative Learning" or "Learning to Expand an Organization's Capabilities" by Senge (Senge, 1990), and "Strategic Learning" by Mason (Mason, 1993).

Strategic learning is defined as *the process by which an organization makes sense of its environment in ways that broaden the range of objectives it can pursue or the range of resources and actions available to it for processing these objectives* (Mason, 1993, p. 843). The third type of learning implies to so called *deutero-learning* (http://www.12manage.com/methods_organizational_learning.html). This occurs when organizations learn how to carry out Single-loop learning and Double-loop learning. The first two forms of learning will not occur if the organizations are not aware that learning must occur.

Being aware of ignorance motivates learning (Nevis et al., 1995). This means identifying the learning orientations or styles, and the processes and structures (facilitating factors) required to promote learning. Nevis et al., (Nevis, et.al., 1995) identify seven different learning styles and ten different facilitating factors that influence learning. For example, one of the facilitating factors is identifying the performance gap between targeted outcomes and actual performance. This awareness makes the organization to recognize that learning needs to occur, and that the

appropriate environment and processes need to be created. This also means recognizing the fact that lengthy periods of positive feedback or good communication can block learning (Argyris, 1976).

Lapierre (Lapierre, 1980 cited by Mintzberg, Ahlstrand, Lampel, 1998, p.176) claims that strategic management is no longer just management of change but management by change. Publication by Charles Lindblom in 1959 under the title *The Science of «Muddling Through»* initiated this school. It questions all the premises and conclusions of the rational management postulates. He explained that policy making (in government) is not a neat, orderly, controlled process but rather a process of *muddling through*. The decisions are not taken to resolve the problem and not to be proactive or to take advantage of the opportunities or synergy between the already implemented decisions. Researching government, Braybrooke and Lindblom, in 1963 coined the term – *disjoined incrementalism*, realizing that policymaking is typically a never-ending process of successive steps in which continual nibbling is a substitute for a good bite.

James Brian Quinn continued the Lindblom's work on incrementalism and in 1978 published *Strategies for Change: Logical Incrementalism*. In the business sector, a central actor- strategist is pulling all activities and directing them toward the common goal and strategy. There is incrementalism, but it is logical, not disjoined. The role of strategic management means trying *to develop or maintain in the top executives minds a consistent pattern among the decisions made in each subsystem* (Quinn, 1980, p. 52 cited by Mintzberg, Ahlstrand, Lampel, 1998, p. 181). The process of strategic management is continuous and pulsing dynamic, and managers should build the seeds of understanding, identity, and commitment into the very processes that create their strategies. By the time the strategy begins to crystallize in focus, pieces of it are already being implemented. Through their strategic formulation processes, they have built a momentum and psychological commitment to the strategy that causes it to flow toward flexible implementation. Constantly integrating the simultaneous incremental processes of strategy formulation and implementation is the central art of effective strategic management (Quinn, 1980, p. 145 cited in Mintzberg, Ahlstrand, Lampel, 1998, pp. 181-182).

Evolutionary theory, developed by Nelson and Winter (1982), suggest that change derives from interaction between the subsystems rather than leadership and strategist as proposed by Quinn. Changes emerge from the cumulative interactions among basic action systems- *routines*. Routines are repetitive patterns of activity that underpin and control the smooth functioning of the organization. Organizations are composed of hierarchies of routines, which interact with the novel situation. Due to interlinks, when one routine changes, it will effect a number of other routines, creating a cascading effect. Management can influence the process by eliminating ineffective routines, transferring effective ones from one part of the organization to another, and inserting new ones.

The processes of strategy formulation and implementation are quite distinctive. Although one might logically understand the strong interconnections, there are numerous problems and obstacles between two of them. Only very small percentage of the formulated strategy is actually implemented in practice. The *Fortune* magazine noted that less than 10% of well- formulated strategies are effectively executed (Gurowitz, 2007 cited by Pučko, Čater, 2008, p. 1221). Therefore, there were closer researches on the factors influencing the successful strategy implementation. The reasons might be (Neilson, Martin, Powers, 2008, p.63-70); clear idea about areas of responsibility of each of the employer, important information about the competitive environment should reach headquarters quickly, decisions should be rarely second-guessed, the

information should flow freely across organizational boundaries, and the possibility of field and line employees to have the information they need to understand the bottom-line impact of their day-to-day choices.

That is why the managers, who formulated strategy, focused on the control in order to check the implementation results. The emergent strategy on the other hand results in strategic learning while implementing strategy and does not put the emphasis on the control but rather on the thinking and results. It should be noted that what is characterized, as the extremes of the formulation spectrum are not necessarily inconsistent: the emergent view does not preclude the existence of a formal planning process (Mintzberg, 1994, Quinn, 1980).

The sources of learning are not only books, study materials and lectures but learning can be done in a more informal way, with the help of intuition, experience, metaphors, and pictures. Learning is characterized by a change of behavior and enrichment of the experience. Learning by Kolb is the creation of the new knowledge via transformation of the experience. Learning in the context of strategy is the firm's ability to gain, accumulate, and exploit knowledge on the organizational level.

Senge talks about learning organizations as organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together. Senge mentions five basic disciplines that constitute a learning organization (Senge, 1990, pp. 20-23):

- **Personal mastery** – Personal mastery is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively,
- **Mental models** – are deeply ingrained assumptions, generalizations, or even pictures or images that influence the way we understand the world and how we take action,
- **Team learning** – the discipline of team learning starts with "dialogue," the capacity of members of a team to suspend assumptions and enter into a genuine "thinking together",
- **Shared vision** – the practice of shared vision involves the skills of unearthing shared "pictures of the future" that foster genuine commitment and enrolment rather than compliance, and
- **System thinking** – seeing interrelationships rather than linear cause-effect chains and seeing processes of change rather than snapshots.

Concept of organizational learning develops also some second hand consequences. One is the negative effect of learning, when the failure urges for more concentration on learning and more obligations and therefore more failures. The second thing is exaggerated organizational learning when the energy needed for the normal business activities is redirected for the learning that does not have direct effects on raising the effectiveness of results.

2.6. Critical Approach to Schools of Strategic Management

Each school of strategic management can be criticized from a number of viewpoints. Critique, depending on what kind of argument and what attitude they support, can differ in nature. Critique and their arguments vary from the one denying and offering opposing arguments to the one trying

to show an ambivalent direction in presented idea. The researchers, writing critiques, often belong to another school of strategic management and therefore reasoning and finding arguments that belong to a different paradigm. None of the schools is false, unpractical, or too much theoretical. Depending on the business context, each of the school is in a variety of ways true and false, practical and unpractical. The schools of strategic management exist in the everyday life but they are vague, and features of each of them are interwoven. The pattern of school can be depicted only by looking aside at the top manager's daily routine with a clear mind and a sense of pattern recognition. Looking closely and analyzing them without the obstacles of paradigm fence one can get deeper understanding and suggest improvements that would otherwise be undetected. That is the purpose of the chapter commenting on the contributions and pitfalls of each of the school of strategic management.

2.6.1. Critical Approach to Classical School of Strategic Management

Classical school of strategic management has the eminent place in the development of strategic management. The premises of classical school are the ones that define the role of the top manager in the firm, thus resulting in the beginning of the conscious era of strategic management. Before that, there was unconscious notion of the need that someone takes responsibility to manage the whole firm by leading towards the common goal. The thinking era of strategic management manifested in writing plans about prosperous future- strategic planning. The more complex the business environment becomes, the more complex are the concepts to understand the environment and methods of analyzing and envisaging the changes in the future.

The main idea behind the strategic management is that if there is a perfectly successful top manager there is no need to bothering about strategic management. If not, there is a search for ways and solutions how to find or create a successful strategist. In that sense, formal strategic planning is an effort to duplicate what goes on in the mind of a brilliant intuitive manager (Steiner, 1979, p.10).

The design school started as a simple concept that would be valid for all firms no matter what they do, aiming to explain the way strategy emerges. The firms got more complicated and therefore the concept could be applied only as a framework, not a step-by-step guide. The discipline of strategic planning is actually discipline of doing strategy and planning future. This is why the procedure of formulating strategy is formal and defined as detailed as possible. Classical school is more like a normative and prescribed, actually ideal way of doing strategy. While insisting on formality it cannot be flexible as the life and business demands. The separation of formulation and implementation is quite impossible to apply, and it is highly improbable for the top manager to harmonize all decisions, opportunities in the environment, technological advancement and bring it to the precise moment of strategy formulation (Quinn, 1978, p.17).

Fayol (Fayol, 1949, p.43 cited by Fells, 2000, p. 346) was one of the first who presented a broad conception of business planning, understanding the planning as mean for both assessing the future and making provision for it. Goetz defines planning as fundamentally choosing and Koontz and O'Donnell (Koontz, O'Donnell, 1988, p. 113) determine planning as deciding in advance what to do, how to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen. Planning is an intellectual process, the conscious determination of courses of action. The

more recent definitions of plan and planning are described the more focused and specific they are.

Aaron Wildavsky (Wildavsky, 1973, p. 130) opposed planning; suggesting that planning is not defended for what it accomplishes, but for what it symbolizes- rationality. Planning is conceived to be the way in which intelligence is applied to social problems. Planning is good because it is systematic rather than random, efficient rather than wasteful, coordinated rather than helter-skelter, consistent rather than contradictory, and above all, rational rather than unreasonable (Wildavsky, 1979, p.129 cited by Mintzberg, 1994, p. 189).

Bill Cook offers his definition by first describing what strategic planning is not. He says that strategic planning is not just a model, not just a process, not just an academic exercise, not just a prescription, not just an edict, not just a political manipulation and not just a budget. He then proceeds to explain that: strategic planning is an effective culmination of both a process and discipline, which, if faithfully adhered to, produce a plan, that should be original, visionary, and real. The discipline includes the vital ingredients of the plan itself; the process is the organizational dynamic through which the vital ingredients are derived. Both the discipline and the process are aimed at total concentration of the organization's resources on mutually predetermined measurable outcomes (Cook, 1990, p.47).

Representatives of this school gave examples and situations where they realize that their model could not be implemented as suggested. They confess that there is an evident problem with inability to predict the future, acknowledged the imperfections of the top manager, time pressure and the influence of the thousands of unknown factors (Christensen et al., 1985, p. 3). The formulation and the implementation process cannot follow one after another, but they appear rather simultaneously, where as soon as the process of formulation is close to the end, the process of implementation already starts. Andrews points the need to find a balance between focus and flexibility while deciding on the partial unknown facts, risk, and uncertainty (Ansoff, 1987, p. 115).

Acknowledging the inflexibility of planning, George Steiner stated that plans are commitments, or should be and thus they limit choice. They tend to reduce initiative to arrange alternatives beyond the plans (Steiner, 1979, p. 46). Effective strategists are not people who abstract themselves from the daily details but quite the opposite: they are the ones who immerse themselves in it, while being able to abstract the strategic message from it (Mintzberg, 1994, p. 256). Good strategy is the one that does not need to be changed in a short period. Strategy is a framework for resolving problems, not a specific way to resolve the problems (Rumelt, 1980, p.365 u Mintzberg, 1990, p.182).

Strategic plans must be distinguished from the long-range plans. Long- range plans, like the five and more years plans are nothing but extrapolation of the trends, without any thinking done by top managers and this kind of planning cannot be considered strategic planning. Peter Drucker claimed that long-range planning does not deal with future decisions, but it deals with the futurity of present decisions (Drucker, 1959, p. 239). Strategic planning is an oxymoron (Mintzberg, 1994, p. 107). Strategic planning should be labeled strategic programming. Strategic planning contains only analysis, while for the strategy formulation there should be a synthesis included too.

Generalization is practically infeasible or desirable, as each case is assumed too complex and unique. The model is just a framework because (Learner et al., 1965, p. 6) it is impossible to make useful generalizations about the nature of these variables or to classify the possible combinations in all situations. This happens because there are a large number of variables unique to a certain organization or situation that guide the choice of objectives and formulation of policy (Learner et al., 1965, p. 5). The study of business policy provides a familiarity with an approach to the problems, and together with the skills and attitudes, one can *combine these variables into a pattern valid for one organization* (Learner et al., 1965, p. 5). Hofer and Schendel refer to the design school as the “situational philosophy” (Hofer, Schendel, 1978, p. 203 cited in Mintzberg, 1990, p.177). Works by Ansoff and Andrews emphasized the normative aspects of business knowledge and are chiefly interested in identifying and developing the “best practices” that were useful for managers. The principal role was to impart knowledge to practitioners, rather than to pursue knowledge for scientific advancement. The most appropriate method for accomplishing this objective is inductive in character: in-depth case studies of single firms and industries.

The heavy emphasis on the case approach and lack of generalization did not provide the base necessary for continued advancement of the field. As such, the work in this area was not well accepted by other academic fields. Much of the early work examined firms largely as closed systems. However, businesses, as all organizations, are open systems.

Evaluation of opportunities and threats are performed within the firm office, sitting by the table. The conclusions are not tested in order to correct the mistakes made by subjective conclusions, based on missing data or incorrect data. There are no formal evaluation of past mistakes and successes and therefore no process of learning from experience. The simple framework suggested by the design school may never go out of date; it can easily go out of context (Mintzberg, 1990, p. 180). Once decided upon the decision there is neither changes nor adaptation in the strategy. In this way the school has denied itself the chance to adapt (Mintzberg, 1990, p.179).

The design school says little about the content of strategies themselves, but instead the main emphasis is concentration on the process by which they should be developed. Andrews (Andrews, 1987) stands for the idea that different levels of management should participate in the formulation process. It is hard while planners have not been implementers, and implementers seldom have been involved in the planning process (Webster, Luehe, 1992, p.11).

The key word in the design school was simplicity, and the planning school of strategic management is characterized by the key word - complexity. Steps in the process of strategy implementation are precisely defined in the time during the whole calendar year. The main aim of planning is to form a direction in order to overcome uncertainty. A plan is formed based on the data basis and structure, which already exist in the firm, and when changing the data basis or structure it will imply the change in the plan.

The problem is that although the rational model offers a clear, understandable, systemic approach to strategic planning, it contains many assumptions that in reality are unsustainable (Johnson, 1987, p.17 cited in Graetz, 2002, p. 456).

Assumptions of the planning school are sometimes confusing and illogical (Hayes, 1985, p. 111):

- One of the assumptions is that a firm is able to predict the way environment changes, and control it or assume stable environment. If none of the assumptions are real, strategic planning is not possible. Ansoff (Ansoff, 1965, p. 44) suggests that the planning horizon should be the period in which firm is able to predict correctly within the minus/plus 20% of accuracy. The most often interpolation of past trends is the most used method. However, longer- term predictions (longer than two years) are obvious mistakes (Hogath and Makridakis, 1981, p. 122),
- One makes the mistake by separating the people that plan from the one that implement the plan. Top managers are taking decisions based on the information, data from the different management levels in the firm. They are not in the direct connection with information, but rather an indirect one. The characteristic of the effective strategist is to be able to get involved deeply in the direct work, but realizing the strategic message,
- Information often comes late, incorrect; being exaggerated, insufficient, and based on them top managers can make a wrong decision. The information flow is incorporated in the system, while it should only be the support in the decision-making process, and the top manager should be the one making the decision.

Planning should be a part of each activity even if it is only a few minutes before the activity starts (Dennison, 1951, p. 56, cited by Mintzberg, 1973, p. 52). Planners should acknowledge that planning is not useless but expensive and assumes unreal stability in the environment.

Overall, the approaches used by prominent strategy scholars during this foundation period were mainly normative or prescriptive in purpose, with in-depth case analysis as the primary research tool. In real life the process of formulation and implementation are intertwined. Room for variation, extension, and innovation must be provided (Christensen, 1982, p.84).

Some of the constructive critique explores the way to use the ideas of classical school in the future within the context of contemporary management and without the time constraint, are (Liedtka, 1998):

- Top manager operating within the framework of the classical school of strategic management sets a variety of hypothesis which he/she uses in the form of “ if this... than that”. In this way top manager envisages the world if some situations will occur, creatively imagining the world, potential situations, mental processes about the different scenarios, experimenting in their heads, trying to predict potential mistakes and correct them before they even occur. Imaginative world they create is the result of the future they assume and changes that will take place. They envisage the future and the analysis of current situation in the light of the changes that will appear in the future.
- Concept of strategy consists of two phases. The first one is analytical, where problem is analyzed up to the roots of the problem, and the suggestions for the resolution are suggested. In the second phase, suggestions to resolve the problem are grouped and harmonized in order to form a concept- strategy.

Besides that, Liedtka recognized that the strategy process is not the privilege of only top manager, but also the responsibility of all groups and individuals in the firm. Good strategy concepts are recognized by the persuasiveness and the brilliant strategy concepts by the inspirations.

However, the real purpose of planning is not making plans, but change in the mental models, which top managers have in their heads (De Geus, 1998, p. 70). The plan is not important, but the process of planning. It is still the emphasis on making the plans, rather changing the mental models. Some authors (Mintzberg, 1994, p.108) think that planners, as specialist, should give their contribution before and after the formulation process, while leaving the formulation process to strategic thinking. There is an evident discussion between two extreme approaches in planning and understanding the process of strategic management (Ansoff, Mintzberg). However, the discussion can be resolved as one should first learn to plan, afterward plan to learn (Brews, Hunt, 1999, p. 886). The conclusion should be moving toward a synthesis or at least reconciliation between them (Gold, 1992, p.169). The next layer of critics could be pointed to the fact that strategic planning may be source of institutional inertia rather than innovation (Grant, 2003, p. 493). However, Grant connects the strategic inertia more with planners than with the planning per se. According to Hamel (Hamel, 1996, p. 71), the essential problem is in the failure to distinguish planning from strategizing.

Formal planning, and the associated forces that encourage it, may discourage the mental state required to conceive new strategies – a state of openness and easy flexibility that encourages people to step back from operating reality and question accepted beliefs. In short, formal strategic management may prove incompatible with real strategic thinking (Mintzberg, 1994, p. 114).

2.6.2. Critical Approach to Environmental School of Strategic management

The Environmental school of strategic management stresses the components from the environment that strongly influence the process of formulating strategy. According to this school, the environment becomes the answer to all the forces coming from undefined sources, and in some way is the excuse for all failures. The environment is looked at aggregately and with a high degree of abstraction. However, in fact, the market, the state, and the environment are nothing else but different individuals organized in various groups holding the power of the institution they represent.

Environmental school recognizes that there are very rare firms that are big and powerful enough to define the “rules of the game” in their industry. The majority of firms are the ones adjusting to the environmental forces and therefore it is valuable to know the methods to analyze environment in order to recognize the trends, adjust to those on time, and be faster than your competition. Adjusting does not necessary imply being passive, but rather aware that you are not the one setting the rules, but the one fighting for the survival. Creativity can be used when forming way to adjust, or alternating the rules of the game. Beside the forces outside the firm, there are the ones that actually work within the firm but are just manifestations of the social system in which the firm operates. This school does not oppose the thoughts of other schools but does not regard them as a serious and powerful influence on the process of strategic management. Instead, they think that environment is the crucial media containing the most important forces when formulating strategy.

Contingency approach suggests many situational cases and answers depending on the specific environmental factor that becomes quite complex to follow. It comes to the point where each situation is considered unique and therefore strategy can be depicted only from a retrospective view. When facing the problem or solutions, contingency approach will describe the situation and

prescribe the solutions only after a certain period. By then, it becomes a historic event, without the possibility to act. Too much variety is as much good as very few options for the possibility of making mistakes. On the other side, “it all depends” can be understood as an excuse for not knowing, following or not understanding the common and general rules of the game of the industry at the first place. It is also a question of how the firm should behave if it has two or more different markets and/or products whose characteristics vary in number of ways, contradicting each other.

In the process of determining the characteristics of the environment we cannot state that the entire environment is merely complex or that it is exclusively stable or dynamic. It is impossible to reach a unification of the environmental characteristics because it refers to a moment, region, technological characteristic, or buyers' demand. During a particular time, it can be very dynamic, but a specific event in the environment could make it stable for a longer period. It is dominant attitude that environment is turbulent, but the impression of turbulence is made by the individual players and their relationships with other players. If they perceive stable environment and behave according to that the environment will be perceived like stable. If only one player produces the dynamic movements, the whole market becomes turbulent. Turbulent should not be equalized as the chaos in which nobody knows what to do and therefore it is better to work more, longer and make confusions in the market. The turbulent market implies constant changes that alternate the way industry functions and question the prerequisites that are known to be impetus for doing business.

While diversifying within the industry, as a component of the environment, one has to realize that it does not implicate anything else but a group of companies and their behavior. Therefore, if it is a question of monopolistic market, a single firm represents the activity. In such cases, the environment represents just one firm's attitude and behavior. Population ecologists advocate the idea that larger companies have strength to carry on business activities for years, just as the stronger species in the biological world, destroy the weaker and smaller opponents. However, even large companies lose and disappear from the business scene. These companies disappear due to the aggressiveness and flexibility of their opponents and not for the reason of *some* forces coming from the environment. Gould believes that changes occur too fast in order the Darwin's theory of natural selection be adequate. Critique on the organization ecology scholars is not what they examine but what they ignore. There was little attention dealing with the question of why it is that firms in the same industry facing the same industry-level constraints fail while others succeed.

The question whether there is any strategic choice also implies the question whether if there is any strategy or strategic management at all. No matter how limited, restrained or conditioned, there is always some strategic choice. The strategic choice is the basis of strategy, the essence of planning. If there was no strategic choice then the companies would remain passive and others would determine their future. However, if companies believe in the power of strategic choice, they will find means, possibility, and power to realize their ideas. The statements on how the firm has to adjust do not necessarily imply passivity. The imperative of contemporary business activities is to adjust to the market conditions i.e. to buyers, which is not passivity. It is a question of understanding the way to survive and accept such business principles. However, it is important to point out the passivity in the statement of the Environmental school that the firm can only react to changes and adapt itself to the environment. Strategies in that sense are mainly responses to given constraints rather than means to influence them or create new environments (Porter, 1980).

In the Power school of strategic management the energy should be directed towards the buyers or innovations and not for political games and deals or determining which of the interested parties is stronger or more influential (Mintzberg, Ahlstrand, Lampel, 1998, p. 242). Taking part in the process of formulating strategy gives space to activity that is more political. This results in a greater possibility for people to express themselves and to have influence. Additionally, this leads towards a negative aspect, since the people would bring their personal interests into the process of forming strategy. If the firm becomes a political arena, the strategy would not be effective (Collier, Fishwick, Floyd, 2004, p. 69).

The Cultural school of strategic management gives its contribution by explaining different managerial behavior, decisions, and goals according to which companies from different social environments aspire and they deal with everyday dilemmas. These are precisely the values that are predetermined by their affiliation to a nation, region, group, family, or firm. The values are deeply enrooted and therefore difficult to change. Stressing the predetermined, socially conditioned behavior one gets the impression that improvement, change, or transformation in business is an impossible mission. Managers might come to the wrong conclusion that this very important aspect of business is continuously the same since the foundation of the firm, which inevitably leads to stagnation and firm's doom. Specific cultural characteristics are hard to establish, even harder to change afterwards, while quite simple to destroy. The Cultural school stresses the sociological aspect of groups, their line of thought and behavior. The notions gained by the group are a valuable contribution to understanding the process of formulating strategy. Collective beliefs are probably the most spread form of inertia (Mezias, Grinyer, Guth, 2001, pp. 74-75). Even in the geographically close regions or states, culture might differ so much that the values are perceived in an opposite way.

Not all the firms that lead the industry advancement follow the strategy according to the environmental school of strategic management and no matter how small they are, they are definite about success by changing the industry game. They have a different viewpoint, idea, concept and that became crucial for winning. However, they also follow a pattern in the society. Consciously and deliberately or not- when looking in the retrospective it becomes obvious that the individual firm found a perfect moment or place to suggest a change. Environment can direct, support or make the business impossible but the initiation of doing business, ideas and resources are the impetus of the success. Therefore, the first step in entrepreneurship is not in the environment, but rather the firm itself.

2.6.3. Critical Approach to Competitive School of Strategic Management

Competitive school of strategic management regards the situation in which a firm has a competitor and is involved in the competitive fight as the main motivator of doing business. When conflicting with a direct opponent human character is more active, alert, his mind and imagination is challenged, and innovation and creativity starts to be the way to perform the work. Otherwise, the everyday routine drives out the energy, motivation deteriorates and the work becomes meaningless. Competitiveness is the drive that explores capabilities and capabilities that firm possess and use them for achieving firm's goals.

Several studies have demonstrated that performance is determined by the firm's strategy more than the industry (Mauri and Michaels 1998) and therefore industry analysis can give some

guidelines and frameworks but not the recipe on how to be successful. All the firms and business people have heard about the Porter's five forces, so it cannot be applied as the guidance for success but for survival and understanding the rules of the game.

Porter stresses that operational effectiveness is not strategy. While operational effectiveness is about achieving excellence in individual activities, or functions, strategy is about combining activities. Strategy is the creation of a unique and valuable position, involving a different set of activities (Porter, 1998, pp. 55-60).

When studying Porter's competitive advantages, after reading all 536 pages of *Competitive Advantage* he never quite tells the definition of competitive advantage. It can be created through cost leadership or differentiation, but competitive advantage is never *defined* as such, though there are several allusions to its meaning. The secret of success is competitive advantage, but he never manages to define it in any other way than as the quality that brings about success. Here, at the heart of a classic strategy there is an obvious example of a tautology and the circularity of definition (Klein, 2001).

Looking back at the strategy textbooks of the time such as Ackoff (1970) and Andrews (1971), specific firm strengths and weaknesses were identified, but not expressed in the overreaching framework of competitive advantage. Penrose (1959) referred to competitive advantage in several places. Ansoff (1965) also used the term, but only in the way to describe what a firm needed to effectively compete with; it was but one of four strategy components. Interestingly, Michael Porter, writing in Harvard Business Review in 1979, did not mention competitive advantage at all, still describing strategy as a matter of positioning companies in relation to the five forces (Porter, 1979). His book 'Competitive Advantage', published in 1985, seems to have introduced the term in its current usage (he did not refer to previous authors, suggesting no direct linkages). In the preface, he claimed that his earlier book 'Competitive Strategy' had 'described three generic strategies for achieving competitive advantage' (Porter, 1985, p. xv). In fact, 'Competitive Strategy' (Porter, 1980) never actually used the term. In the two books, a virtually identical diagram entitled 'Three Generic Strategies' shows the x-axis as 'strategic advantage' in Porter's book (Porter, 1980, p. 39) and 'competitive advantage' in Porter's book (Porter, 1985, p.13).

Therefore, for Kay, competitive advantage is synonymous with superior relative financial performance. When read together with Porter's statement (Porter, 1985: xv) that *competitive advantage is at the heart of a firm's performance in competitive markets* we have an entirely tautological concept: financial performance is at the heart of financial performance. In other uses, competitive advantage is used as shorthand for *source* of competitive advantage. The literature displays confusion between these two uses but they clearly denote different concepts. When Porter (Porter, 1985, p.62) claims that 'cost advantage is one of two types of competitive advantage that a firm can possess', he is referring to cost as a *source* of competitive advantage (using competitive advantage as in the above paragraph). The trouble with sources of competitive advantage is that they are referenced to an outcome – an advantage in the outcome of a competitive process. To say that to achieve competitive advantage a firm must have a source of competitive advantage is clearly circular.

When talking about ontological confusion, defining a quality in terms only of its outcomes means strictly that the outcome must have already occurred prior to the competitive advantage coming into existence. A quality defined only in terms of outcomes cannot exist before those outcomes

have occurred: this should mean that competitive advantage could only be used *ex post* to *explain* competitive performance. In practice, competitive advantage is used *ex ante*: ‘competitive strategy is the basis on which a SBU might achieve competitive advantage in its market (Johnson and Scholes, 1999, p.547). In this usage, competitive advantage is not so much an explanation as an expectation that some particular quality will bring success in the future.

The assertion of a link between something that is possessed, on the one hand, and competitive outcomes on the other, immediately raises the question of the implied causalities involved. The chain of causality between the characteristics or resources that are possessed by a firm and the competitive outcomes that arise is clearly debatable. For example, while adherents to the PIMS studies might interpret market share as a competitive advantage, other traditions would not. Far from being a theoretically neutral term, assertions of competitive advantage must necessarily embody a theory of causality. A related problem is causal ambiguity. Even if we accept the ontological existence of competitive advantage, it might be impossible to determine what competitive advantage is. Indeed, to the extent that competitive advantages are more sustainable if they are inimitable, the most competitively valuable competitive advantages might be precisely those that cannot be identified, and therefore copied.

Firms are typically said to ‘have’ or ‘possess’ competitive advantages. Talking in such tangible terms has the effect of constituting them as objective qualities: a firm either has a competitive advantage or not. Competitive advantages are rarely asserted with reference to any theoretical frame.

Porter’s model of Five Competitive Forces has often been the subject of critique. In general, the meaningfulness of this model is reduced by the following factors (www.themanager.com):

- In the economic sense, the model assumes a classic perfect market. The more an industry is regulated, the less meaningful insights the model can deliver,
- The model is best applicable for analysis of simple market structures. A comprehensive description and analysis of all five forces gets very difficult in complex industries with multiple interrelations, product groups, by-products, and segments. A too narrow focus on particular segments of such industries, however, bears the risk of missing important features,
- The model assumes relatively static market structures. This is hardly the case in today’s dynamic markets. Technological breakthroughs and dynamic market entrants from start-ups or other industries may completely change business models, entry barriers, and relationships along the supply chain within short times. The Five Forces model may have some use for later analysis of the new situation; but it will hardly provide much meaningful advice for preventive actions, and
- The model is based on the idea of competition. It assumes that companies try to achieve competitive advantages over other players in the markets as well as over suppliers or customers. With this focus, it does not really take into consideration strategies like strategic alliances, electronic linking of information systems of all companies along a value chain, virtual enterprise-networks or others.

Overall, Porters Five Forces Model has some major limitations in today’s market environment. It is not able to take into account new business models and the dynamics of markets. The value of

Porter's model is more that it enables managers to think about the current situation of their industry in a structured, easy-to-understand way – as a starting point for further analysis.

Critical overview of Porter's model of competitive advantage has assumed that firms within an industry are identical in terms of strategically relevant resources they control and the strategies they pursue (Barney 1991, p. 100).

The entrepreneurial school of strategic management places the entrepreneur as the crucial person when establishing and managing firm. This fact can be two folding. From one perspective, he/she is the organizer, manager, and coordinator and brings ideas, strength, and energy to the firm, performing variety of roles. When the business grows and develops, the work becomes more complex and a tremendous and unrealistic burden for only one person. Then, the fact that all the work is done by one person becomes the obstacle while many processes are stopped waiting for his approval, signature, and attention. If he/she is still capable of performing strategic thinking in addition to operating problems he/she is one of the rare valuable individuals that function based on their intuition and there is no need for the formal strategic planning. However, how many firms do have a top manager like that? In addition, if they do, in how many cases intuitive decisions were found to be correct (Steiner, 1979)?

Current research of the entrepreneurship is indeed “a coat of many colors,” but this stems only partly from a lack of an organizing framework. There is clearly a need for improving theory building, enhancing rigor in invoking and applying established theories, and directing greater attention to design and methods. The youth of the field and the lack of an accepted framework should not relieve researchers from conducting rigorous, innovative, and theoretically grounded research.

One stream of researchers suggests integration of strategic management and entrepreneurship as the research fields (Hitt and Ireland, et.al. 2000, p.19). Despite some claims to the contrary, the field of strategic management draws on many social science disciplines (Barney, 1991) and continues to derive its strength from its eclectic nature. This provides richer opportunities for empirical research, as well as enhances the development of both descriptive and normative theory. Moreover, entrepreneurship researcher should learn the theories and methodologies of strategic management and borrow from them when appropriate.

Vision is a controversy term, which is mentioned as the crucial part when formulating each strategy. The best possible situation is when vision is shared among the employees and that there are no personal confrontation, but coalignment with the firm's vision. However, in majority of firms vision is created in the head of top manager, he/she has difficulties to express it in a way for other employees to adopt and therefore employees do not quite understand where the firm is heading. It takes a top manager with a very strong charisma to be able to lead with a personal vision.

School based on the resources and capabilities is mainly based on the resource-based view (RBV stands for resource-base view). There are two distinctive views on this approach: “view” or “perspective” indicating a lack of coherence among the different contributions (Foss, 1997a, 1997b) or of predictive capacity (Conner, Prahalad, 1996) and the second approach is “theory” (Barney, 2001a, 2001b). There are also other names like resource-based view (Wernerfelt, 1984), knowledge-based view (Conner, Prahalad, 1996), relational view (Dyer, Singh, 1998) and capability perspective (Langlois, Foss, 1999). This view is one of the most researched concepts in

the strategic management field that researchers either criticized or tried to find a way to popularize and implement in different contexts. The first critique of the resource-based view is its ambition to become a theory of the firm. Foss (Foss, 1997a) gave arguments that RBV in itself is not sufficient theory of the firm. It can explain the differences between the firms but for an explanation of why firms exist, the concept of opportunism assumed in transaction cost theories is still required. Later, Priem and Butler (Priem, Butler, 2001, p. 57) and Mahoney (2001) supported his arguments and RBV is not considered theory of firm. Moreover, RBV is a tautology not a theory at all, while it falls to fulfill the criteria for a theory. RBV stands on the analytical statements that are true by definition and cannot be tested empirically. Lado et.al. (Lado, et.al. 2006) conclude that in practice all theories are tautologies since their conclusions are entirely contingents on the assumptions about the factors, variables, and relations that are brought into the theory.

There is also the argument of causal ambiguity. It is the relative difficulty deciphering causal links between organizational resources and outcomes (Lippman, Rumelt, 1982, cited by Lado, et.al., 2006, p.116) suggesting that managers are limited in their ability to understand the sources of sustainable competitive advantage.

Definition of the resource is not workable and characterized as all-inclusive, although it is still argued that it does not imply all the resources that it should. The key axiom of the RBV is that a firm having resources that are valuable, rare, non-imitable, and non-sustainable can achieve sustainable competitive advantage. Nevertheless, these conditions are neither necessary nor sufficient to explain sustainable competitive advantage. It is not just the firm's resources per se that account for a firm's competitive advantage, but the combination of the firm's resources and people's imaginative capabilities in those firms. In addition, firms' capabilities have the potential to be more durable than the resources upon which they are based because of the firm's ability to maintain capabilities through replacing individual resources (including people) as they wear out or move on (Grant, 1991, p. 124).

The resource-based view tells the managers how to develop and obtain valuable, rare, non-imitable, and non-sustainable resources but it does not inform them how this should be done or even whether it can be done. The theory says little about how strategic assets are created or whether they come from within an organization. In addition, the final remark is that RBV falls short of telling managers how a firm can develop the distinctive resources required to compete.

2.6.4. Critical Approach to Contemporary School of Strategic Management

Contemporary school of strategic management is a group of research ideas that is characterized by its potential rather than by its contribution. Cognitive psychology has yet to address adequately the questions of prime interest for strategic management, especially how concepts form in the mind of a strategist (Mintzberg, Ahlstrand, Lampel, 1998, p. 172). It is quite logical that top managers are more prone to the thoughts of other schools while they are embedded in the educational system and tradition of running a business. The ideas of contemporary school are basically more from the field of psychology and neuroscience. They are popularized more by the consultancy than by the traditional business education. Research has not found an interesting trigger question in this stream of strategic thought and therefore there is no representative amount of research in a valid theory applicable to the strategic management. When reading about the

seminal contributions of this school their work is published in the sociology or psychology journals, yet few of them in the strategic management literature.

The school is not opposing other schools but rather offering a new perspective on the previous schools and ways on how to improve them. Ideas are not interfering with the essence of strategic management but are more focused on cognitive features of each person. Top manager is a person that is behaving like any other and he is facing challenge, pride, happiness, trouble, and fear as all other people around him. If managers understand themselves behaving in a different business context they will understand others. Business principles are the skeleton, without which there could be no legibility for doing business but what brings the success is the ability to understand and manage human interactions. That is the main contribution of this school.

Another point presented in the contemporary school of strategic management is the concept of collaboration. After the extensive and popular word of competition, it sounds almost illogical to propose a word that will characterize futurity of strategic management- collaboration. The competition underlines stressful situations, winners and losers, and a lot of energy lost on the way to find out how to compete. Therefore, collaboration is a more interesting concept that is suggested to be used as often as possible. Thompson (1967) was the first one to introduce (Hoskisson, et.al., 1999, p. 423) the notion of cooperative and competitive strategies and coalition formation and as such a forerunner of network and strategic alliance strategies. He is largely overlooked by strategic historians, but he is the one who contributed to the understanding of implementation of corporate strategy through his notion of interdependence between business units.

Due to the lack of accumulated experience and research, there are no accumulated critiques of contemporary school of strategic management yet. It is the phase of discovering more and more concepts, rather than analyzing or finding fallacies in the existing ones.

The history of strategic management shows that for each idea there is a place and time. Idea outside of context, time, and place will not be regarded as the valuable one, while after a while it will be dogged out and represented as brilliant seminal work of scientific thoughts.

Contemporary school is not confronting other ideas and theories from other schools but focusing on one detail in the process of strategic management. This detail is actually the decision about the formulation and implementation in the head of the strategist. No other school devoted energy to the moment of making strategy, but the aspects before or after the strategy formulation.

One of the tools used by this school is the Myers-Briggs Type Indicator. The Myers- Briggs Type Indicator is by far the most widely used and studied psychological test today, with over three million people a year completing the assessment instrument (Gardner, Martinko, 1996, p.45). Indicator was based on the work of Jung, while there are several differences, which could influence the interpretation of the results. Even Jung seemed cautious about the typology upon which the MBTI is created. He thought that it could be only the scheme of orientation. Jung said *the classification of the individuals means nothing, nothing at all. It could be used only as the instrument for the practical psychologist to explain the behavior of a husband to a wife and vice versa* (McGuire, Hull, 2005, p. 305). Jung's personality typology was originally designed to help in the diagnosis of neuroses whenever a particular attitude or function was over used (Michael, 2003). According to his words, this typology was the result of many years of practical experience that remained completely closed among the academic psychologist (Jung, 1971, p. xii). Myers-

Briggs added judging- perceiving attitude and set introversion and extraversion as mutually exclusive dimensions although Jung opposed this dichotomy. Therefore, indicator got used far beyond Jung's original intent.

McCarley and Carskadon (McCarley and Carskadon, 1983 cited by Gardner and Martinko, 1996, p. 50) found satisfactory evidence to support the reliability of the MBTI's type scores. However, the construct validity of MBTI is subject to considerable debate.

The structure of MBTI assumes dichotomy. The individual is always presented with a forced choices format. This forces individuals into clear categories. It would be true world picture if it were based upon the continuum. Continuous measures yield higher reliabilities than dichotomous measures, and hence are more appropriate for research (Gardner and Martinko, 1996, p. 78).

Users of the MBTI may misinterpret people's personality types and make inaccurate recommendations about what functions need additional development. This is most likely to occur in a group setting, where trainers are unable to evaluate people individually (Michael, 2003, p. 78). Although MBTI has found a great role in the leadership environment studies (Gardner, Martinko, 1996) it did not answer whether different managerial positions might be better served by people with different personality types or did it tell us which type would be most effective. MBTI could be used in order to enhance the communication, identify potential sources of conflict, or raise self-esteem of the individual. In the leadership, notion of MBTI should be applied with caution.

One of the ways how to improve the efficiency of doing business, at strategy level in particular, are features presented in the learning school of strategic management. Learning should be incorporated in every aspect of the work as the method of personal growth and professional improvement. The firm as the system gets better if the individuals, teams, groups, and departments grow in their perceptions, attitudes, knowledge, and behavior. Experience, new knowledge, technology, and business environment serves as impetus to learn. Writing about learning is self-evident, but performing learning results in action is a self-demanding job that consumes time, energy, and good will. Formal obligations and procedures for institutional learning in the environments, in which there is no understanding of the learning essence, bring no learning results and positive implications on firms' performance. In those environments, contrary to what is expected, learning just undermines the productive working hours and employees, while it is considered the additional activity and not the mode how to perform and improve. There should not be too much emphasis on learning while employees are forced too much on the learning procedures and less on the real job. The publicly announced plan to change and the balance of continuity and changes is found to be the way to implement changes.

2.7. Conclusion on the Schools of Strategic Management

Top managers have different ways of approaching the process of strategic management. A school of strategic management represents a similar approach, i.e. paradigm that top managers share. The difference between the schools lies in their quite distinctive ways of approaching the process of strategic management. Depending on the criteria, there are quite a few theoretical classifications of the process of strategic management (Chaffee, 1985; Hampden- Turner, 1993; Whittington, 1993; Mintzberg, 1994; McKiernan, 1996; Mintzberg, Ahlstrand, Lampel, 1998; Haberberg, Rieple, 2001). Each of the proposed classifications is the result of the author's way of thinking, and thus offers just one part of the whole *elephant* story.

My contribution to the field of strategic management is a new classification based on two criteria; time horizon and the role of the top manager in the process. **Classical school of strategic management** gathers the basics of strategic management, has historical roots, and is therefore the most influential of all. On the other side of the pendulum is the **Contemporary school**. This school supports the idea of collaboration and cognition. The next school is the **Environmental school** of strategic management, which presents all the reactive and passive ways of correlating the past and the future. The last of the four proposed schools is the **Competitive school** that underlines the survival in any possible way. It is an active attitude towards the future that emphasizes the importance of competitive advantage.

This chapter concludes with the critical overview of all four schools of strategic management in order to have a realistic and balanced opinion of the benefits and pitfalls of the presented ideas. None of the schools is of better quality; rather all four of them form an interwoven material in strategy formulation.

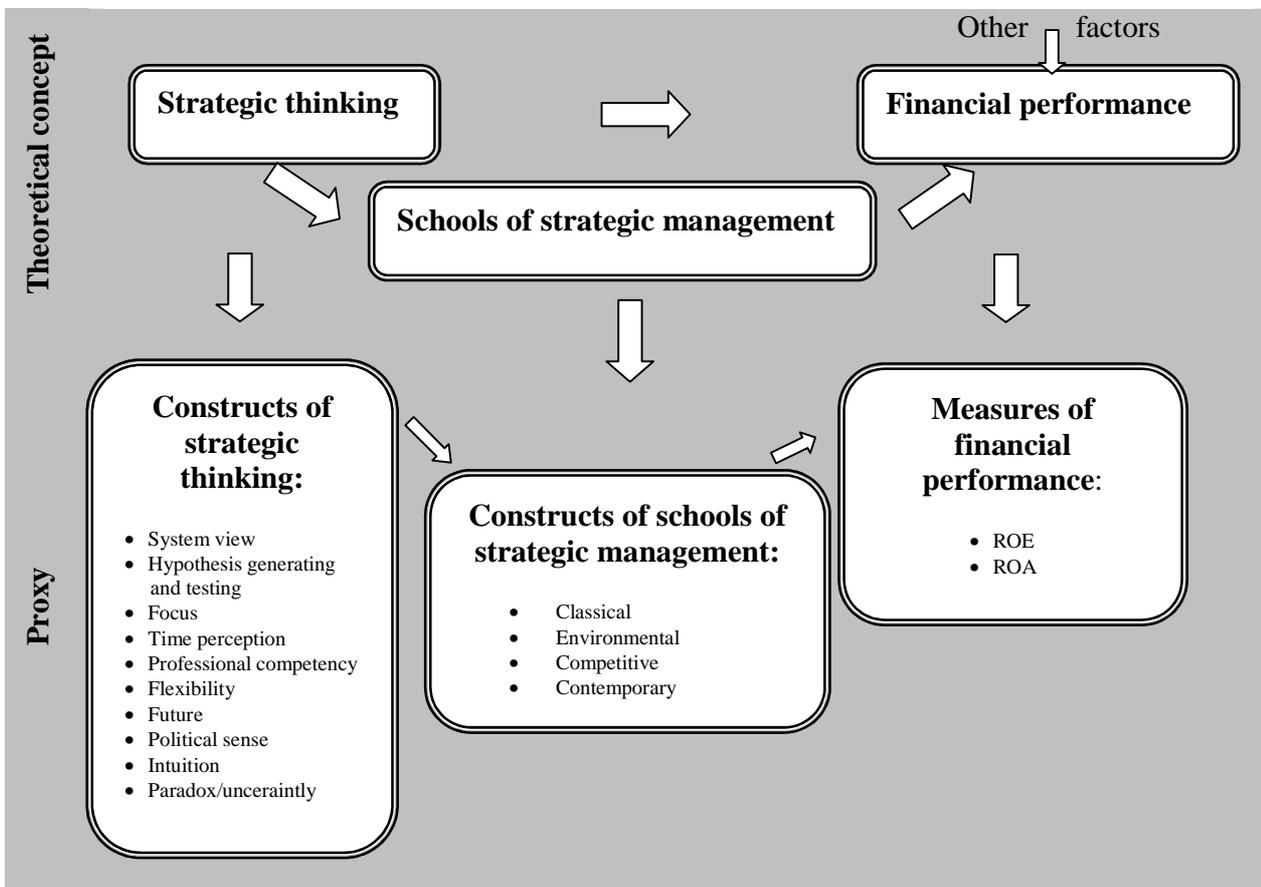
3. EMPIRICAL RESEARCH ON THE IMPACT OF STRATEGIC MANAGEMENT SCHOOLS AND STRATEGIC THINKING ON THE PERFORMANCE OF CROATIAN ENTREPRENEURIAL PRACTICE

3.1. Research Project

The purpose of the research is to denote the impact that strategic management schools and strategic thinking have on the performance of Croatian entrepreneurial practice. In order to fulfill this task the proxies graphically presented in Picture 7 have been developed.

The theoretical concept assumes that strategic thinking and schools of strategic management are among factors influencing the financial performance of firms. Since strategic thinking and schools of strategic management are only theoretical concepts, it is impossible to measure their impact directly. In order to measure the practical manifestation of these theoretical concepts, I have introduced proxy in form of constructs. As a result, strategic thinking is measured through ten constructs of strategic thinking through four constructs of strategic management schools. The financial performance of the firm is measured by three factors: return on equity (ROE) and return on asset (ROA).

Picture 7: Theoretical model of empirical research



Source: The author

3.1.1. Defining the Features of the Constructs of Strategic Thinking

Strategic thinking is highly under-researched in academia publications and therefore it represents a challenge in empirical testing. The variety in defining strategic thinking as well as different approaches in understanding the concept offers numerous key words that should be content related to strategic thinking. The basic empirical assumption was to test statements related to key content-related words in strategic thinking in order to establish if and to what level top managers utilize strategic thinking features.

The key content related words to strategic thinking are highly stressed in the literature as the most crucial and inevitable features of strategic thinking. Highly recognized researchers in the field of strategic management who have published their contributions on strategic thinking in seminal publications and conferences have introduced those features. These works are predominately theoretical in their nature. Researches discussed the criteria and features that should be taken into account as crucial in defining strategic thinking. None of them tested their theoretical assumptions with empirical research. Therefore, there is no reliable or valid questionnaire that can be used at this point in the thesis in order to measure strategic thinking capability. Furthermore, there is no formal, scientifically recognized measure of strategic thinking, and thus

I have introduced several constructs, as proxies, to evaluate strategic thinking capabilities of top managers. Each construct represents a key word and elaborates crucial ideas in several statements.

The survey instrument is based mainly on two sources: the work of Jeanne Liedtka on strategic thinking (Liedtka, 1998) and the only elaborated survey instrument for assessing strategic thinking *The Strategic Leadership Development Inventory* (Jacobs, 1994). *The Strategic Leadership Development Inventory* (SLDI) is the result of the fusion of data from three sources and was developed by T. Owens Jacobs at the Industrial College of the Armed Forces (ICAF) and the United States Army War College (USAWC). The original questions were developed to survey the opinions of general officers and senior defense civilians in order to identify job requirements and skills crucial for achieving success at senior leadership level. The three most relevant features of leadership effectiveness include: conceptual skills and attributes, positive attributes and negative attributes. The SLDI provides a comparative overview of the individual's strengths and weaknesses by combining self-assessment and independent assessment by peers and supervisors. Combining the work of both Liedtka and Jacobs, I have created a list of features forming ten constructs of strategic thinking. Each construct- element of strategic thinking is explained by giving their theoretical background and is supported by the premises representing the most important ideas. The list of the premises and their codes (for statistical purposes) are listed in Appendix I.

Construct 1: System Approach

The construct is composed of the following premises:

I insist on fulfilling each of the departments plan.
Top management is responsible for 85% of the mistakes in the firm.
There are disputes and misunderstandings between the departments in the firm.
While running a business we emphasize processes.

Strategic thinking is built on the foundation of a systems perspective (Liedtka, 1998, p. 122). A strategic thinker should have a mental model of the complete end-to-end system of value creation and should understand the interdependencies within it. Kaufman (Kaufman, 1992, p.69) has characterized strategic thinking as a switch from seeing the organization as a splintered conglomerate of disassociated parts (and employees) competing for resources to seeing and dealing with the corporation as a holistic system that has integrated each part in relationship to the whole. There is a famous saying by Edward Deming that about 85% of a worker's effectiveness is determined by the system he/she works within and only 15% by his own skill. A top manager is responsible for running the system smoothly. This requires the ability to distance oneself from day-to-day operational problems (Garratt, 1995, p.2) and to see different problems and issues in interconnection with each other, the way they influence each other and what effect a solution in a particular area has on other areas (Liedtka, 1998, Goldman, 2005, p.4). Moore (Moore cited by Liedtka, 1998, p.122) proposed that a firm should not be viewed as a member of a single industry but rather as a part of a business ecosystem including a variety of industries. In addition to understanding the external business ecosystem in which the firm operates, strategic thinkers must also appreciate the inter-relationships among the internal pieces taken together; they must comprise the whole (Liedtka, 1998, p.122). The strategic thinker sees vertical linkages within the system from the multiple perspectives. Senge (1990, p.43) has called this approach *systems thinking* and has argued that we must look beyond personalities and events. We must

look into the underlying structures shaping individuals actions and creating the conditions in which these events are likely to happen. This involves thinking in terms of processes in order to enable a reconciliation of apparent contradictions. This concludes the understanding of how organizations are embedded within large and complex systems such as markets, industries and nations (Stacey, 1996), and how they are influenced by the dynamics, interconnections and interdependency of these systems (Liedtka, 1998).

Construct 2: Hypothesis Generation and Testing

The construct is composed of the following premises:

I always question myself «if a problem occurs, what are we going to do? » and try to work on the solution.
When planning, I work together with my team on several possible scenarios.
I often question the logic of commonly agreed facts.
When taking a decision, I try to think about the worst and the best possible option.

Hypothesis generation and testing (Liedtka, 1998) is one of the key features of the ability of strategic thinking. It mirrors the “scientific method” (Liedtka, 1998, p. 123) and is therefore used rarely. It is composed of two features: imagining what might happen and the readiness to respond to possible threats. Future directions could be envisaged by the scenario method. It is the ability to stretch participant’s thinking, introduce new possibilities, challenge long-held assumptions, update mental models, form valuable vehicles for learning and shared understanding and often become the basis for strategic decision-making (Abraham, 2005, p.8). Ohmae (Ohmae, 1982, p.79) finds that leaders are very lazy thinkers and perhaps do lack self confidence in regard to the thinking process itself and need to push their thinking far enough or take the “what if” questions very seriously (Morgan, 1998, p.61). Questions are the building blocks of strategic thinking. They lead to dialogue and debate. Dialogue and debate, in turn, lead to insights and insights lead us to the positive change, which creates a better tomorrow (Banach, Lorenzo, 1993, p. 3)

Construct 3: Focused Intent

The construct is composed of the following premises:

There is an optimistic atmosphere within the firm.
Our strategy is similar to the strategy of our competitors.
Sometimes the compromises we are forced to do contradict our goals.
Others’ missions and visions are alike, but so are ours.

Strategic intent provides the focus that allows individuals within an organization to marshal and leverage their energy, focus their attention, resist distraction and to concentrate for as long as it takes to achieve a set goal. Inevitably, strategic thinking is fundamentally concentrated on and is driven by the shaping and re-shaping of intent (Liedtka, 1998, p. 123). Czikszentmihalyi calls for the importance of *psychic energy*. *We can focus attention, he argues, like a beam of energy, or diffuse it in desultory random movement. We create ourselves by how we invest this energy.* Strategic intent is a term for an animating dream; it conveys a sense of direction, sense of discovery and sense of destiny (Pralhad, Hamel, 1989, pp.129-130). Researchers call this directional (Goldman, 2005, p.4) or strategic intent (Liedtka, 1998).

Construct 4: Time

The construct is composed of the following premises:

There have been many mistakes and we are now trying to correct them.
I devote more time to current problems than to strategic decisions and plans.
Our future depends on others, not on us.
I react rather than act proactively.

The strategic question is not only what the future that we want to create looks like it is more like...*having seen the future that we want to create, what must we keep from our past, lose from that past and create in our present, to get there?* (Liedtka, 1998, p.123; Service, 2006) Strategic thinking is an activity that does not reflect the current moment in the firm. It deals with the consequences of past decisions and problems (Mencer, 2003, p. 13), current disfunctionalities, emergencies and planning of the future. While combining the three periods, the past, the present, and the future, a top manager might very often become confused about the priorities and sequences. In addition to the ideas popping up in the top manager's mind, there are on going changes in the business environment and within the firm. While thinking about time, the time keeps ticking.

Construct 5: Professional Capabilities

The construct is composed of the following premises:

I consciously separate operative and strategic activities.
I reserve time for making plans about the future orientation of the firm.
I am well informed about and I comprehend the technical processes in the firm.
I follow/keep up with the literature on management and leadership.
I try to implement some of the advice found in the relevant literature.
I enhance my knowledge about firm's strategic management.

Professional capability is the prerequisite for any form or level of strategic thinking. Strategic thinking *per se*, without professional capability, does not have an effect when utilized in a specific industry, firm, or situation. Professional mastery, seen as knowledge of the technical processes in the firm, is the cornerstone of effective leadership. Individuals lacking professional capability appear slow in understanding the provided information and may fail to utilize properly the material and human resources in order to accomplish the mission. A top manager needs to be familiar with the technical processes in the firm since they represent the cornerstone for any form of strategy development. Strategic thinking should be looked upon as the *second, upper layer* of the perspective in the firm. Nevertheless, strategic thinking, as part of strategic management, is a capability and a discipline of its own, and therefore top managers should brush up their ability to manage strategic issues with the help of publications, books, seminars, workshops or consultancy.

Construct 6: Conceptual Flexibility

The construct is composed of the following premises:

Changes occur very often in the companies' plan.
I boost, develop and support differences in the views of the subordinates.
I am aware that I make decisions based on just a few pieces of information that may or may not be perfect.
I do everything in my power to avoid surprises in planning and business in general.
When confronted with an obstacle, I switch to an alternative plan.
The owners and the Board of Directors pressure us to achieve results.

Conceptual flexibility (Jacobs, 1994) or intelligent opportunism (Liedtka, 1998, Goldman, 2005, p.4) or conceptually reflecting ideas of models and hypothesis (Goldman, 2005, p.4) is one of the most crucial features of strategic thinking. A top manager should be open-minded while working because changes happen often. Realizing the challenge and the proactive attitude helps the top manager to stay on the edge of the moment. Leaders find that the essences of strategic knowledge are environmental responsiveness and strategic flexibility and not the accuracy of long-term projections (Diffenbach, 1983 cited in Morgan, 1998, p. 62). There should be an open possibility for new strategies to emerge when complex and difficult situations unfold.

Construct 7: Future Vision

The construct is composed of the following premises:

I have a clear vision of this firm.
The future of this firm depends solely on the owner's decisions (private owner or state).
Contradictory results of analysis do not block strategic decisions.
Departments in the firm concentrate their efforts on themselves rather than on the firm in general.
Employees are familiar with the firm's mission, vision and strategy.

A leader thinks about the impact of his actions on the future (Nadler, 1994, p.31). Strategic leaders are guided not only by a formal plan, but also by a philosophy that stresses long-range thinking (Schilit, 1988, p.43 cited by Morgan, 1998, p. 64). Strategic thinking examines the operating principles of the future (Robert, 1994, p. 48 cited by Morgan, 1998, p. 64). Vision and mission are the energy that should motivate all the employees and offer them the direction of action. Contradictory results of analysis should not block top managers' decisions.

Construct 8: Political Sensitivity

The construct is composed of the following premises:

Sometimes it is wiser to comply with the advice coming from the political power outside the firm than with the logics of business within the firm.
The final strategy depends on the strength of the interest groups within the firm.
I am interested in broader social and political issues.
I personally involve myself in the politically sensitive situations in the firm.

Political sensitivity is related to both, political issues inside the firm and outside the firm. Different interest groups, within the firm, try to organize employees in favor or against the top manager's intentions. A top manager should be sensitive to both extreme political situation within the firm, and broad social and political issues within the society. Not only interest, but also networking and personal contacts count (Jacobs, 1994).

Construct 9: Intuition

The construct is composed of the following premises:

I follow intuition when taking a strategic decision.
When taking a decision, my "guts" feeling is the decisive element.
I grasp the relations and patterns in confused and complex situations.
Top management very often bases decisions on experience.

Any significant activity of forecasting involves a large component of judgment, intuition and educated guesswork. Intuition plays an important part even where the forecasts are obtained by a mathematical model or simulation (Kahneman, Slovic, Tversky, 1982, p. 414). Moreover, the international study (Parikh, Lank, Neubauer, 1994) about the role of intuition in management, finds that intuition has a major role in the professional lives of top managers. The results of the study conducted by Henden (Henden, 2004, p.125, 126, 158) show that top managers have different opinions on what constitutes the *gut* feeling. It could be located in both, the head and the stomach, and it presents the sum of experiences that people are not necessarily conscious of; through life, intuition is shaped as a mosaic grasping the wholeness and interrelationships of experiences.

Construct 10: Uncertainty/ Paradox/ Disequilibrium

The construct is composed of the following premises:

I need a short period of time to comprehend the complexity of a problem we are facing.
If there are two opposing opinions, I decide which one is the most realistic.
Different attitudes and opinions result in higher quality solutions.
I sometimes change the decision based on colleagues' influence.
Due to the complexity of the business environment, it is impossible to meet all the stakeholders' requirements.
I am able to prioritize between long and short-term problems.
Disequilibrium and instability are not pleasant and I try to either avoid or ignore them.

When dealing with tasks, a top manager must be able to understand and conceptualize different and possibly conflicting information and scenarios. Starbuck and Miliken (Starbuck, Miliken, 1988) argued that complex decision-making tasks require managers to use multiple sense making frameworks, which may be inconsistent with one another or even contradictory. Similarly, Fiol and Huff (Fiol, Huff, 1992) stress the importance of managing a portfolio of multiple representational systems to improve strategic decision-making and encourage strategic thinking. Hence, decision-makers need to be able to hold several seemingly paradoxical and conflicting positions simultaneously in their mind and to tolerate the resulting uncertainty and ambiguity (Bonn, 2005). Strategic thinking compromises the ability to understand complex and perhaps unstructured problems quickly and the tendency to look for contingencies when developing

contingency plans (Jacobs, 1994, p.13). The effective strategist is one who can live with contradictions, learn to appreciate their causes and effects and who can reconcile them sufficiently for effective action (Mintzberg, Quinn, 1992, p. xi).

3.1.2. Defining the Features of the Constructs of Strategic Management Schools

Numerous authors (Mintzberg, 1994, Whittington, 1993, McKiernan, 1996, Chaffee, 1985, Mintzberg, Ahlstrand, Lampel, 1998, Haberberg, Rieple, 2001, et.al.) offer different views on understanding the process of strategic management. The combining of different features of the existing views, resulted in a new classification. This classification consists of the classical, environmental, competitive, and contemporary school of strategic management (Andrews, 1971, 1981, 1987, Chandler, 1962, 1977, Selznik, 1957, Ansoff, 1967, Steiner, 1969).

The reason for creating schools of strategic management was the attempt to reorganize the forest of strategic management ideas, concepts, and theories based on the criteria of different approaches to the strategic management process. The attempt was not only to simplify but also rather to classify the attempts in order to offer a critique on their value added for the development of the strategic management discipline and to offer new insights for the future stream of research.

Different approaches to the process of strategic management are the results of the different time settings in which they emerged. In addition, the approaches differ based on the criteria they use. When knowing the top managers' preferable school of strategic management it could be possible to predict how he/she will react and decide in a specific situation. Moreover, a business environment may promote a specific type of strategic thinking and a specific school of strategic management.

The literature review mentions several different classifications of schools of strategic management. Each of them offers a view of the process of strategic management. However, they do not exclude each other. Depending on the criteria, they offer slightly different approaches to the classification. During the years, the researchers have been developing their classifications according to the practical needs. The classification into four schools of strategic management is based on the two criteria- time horizon and the role of the top manager (Jelenc, 2004). According to the time horizon, there are two distinctive schools of strategic management – classical school and contemporary school of strategic management. The classical school represents the foundation of strategic management as a discipline, whereas the contemporary school combines these classical ideas with the modern concepts and approaches to the process of strategic management. The second criterion is the active or passive role of the top manager. If the top manager is passive, we talk about the environmental school of strategic management, while, if the top manager plays an active role in the process, it is the competitive school of strategic management.

These schools have been developed (Jelenc, 2004) and slightly changed according to the experience derived from previous empirical research. The same pattern can be applied to the strategic thinking constructs. The constructs are supported by several premises (printed in bold and italic), and each of them is supported by the theoretical background. The list of the premises and their codes (for statistical purposes) can be found in Appendix I.

Construct 1: Classical School of Strategic Management

Strategic orientation derives from the analysis of external factors and factors within the firm.

According to the classical school of strategic management, there are two appraisals: external and internal. Both of them analyze in detail only one segment of the business environment. The conclusions of both of them influence the process of strategic formulation (Selznick, 1957, p. 62, 67-68, Steiner, 1969, p. 33; Andrews, 1971, p. 21; Christensen, et.al., 1985, p. 2, Ansoff, 1987, p. 103). The conclusions are combined in search of congruence or a fit between the features in order to reach a realistic and a unique strategy formulation.

Managers working on strategic issues are specially educated for such a task.

Managers specialized in preparing and making strategic plans are highly educated in the field of strategy and are familiar with forecasts and scenarios, extrapolations, variety of data analysis gathered from the environment (Ansoff, 1987, p. 12).

Good strategy is a prerequisite of business success.

Business success is a result of many variables among which strategy takes a very important role. A concept of strategy brings simplicity to complex organizations (Christensen, 1982, p. 554).

When we resolve problems, we select among several options in order to determine which solution is the most appropriate.

The analysis usually suggests a few options and we use deductive methods to choose the best one. This selection of option is considered unique for each of the firms (Christensen et.al, 1982, p.164).

In our firm, we do the planning by the book, i.e. step-by-step from formulation through implementation up to control.

The process of strategic management by definition consists of several phases; formulation, implementation, control and evaluation. Only after one stage is completed, the next one starts (Andrews, 1971, p.23-25, 1987, p.551).

The say of the top manager or the top management team is the most dominating in the process of formulating the strategy.

The top manager or the top management team is responsible for formulating, implementing, and control as well as for the overall success of the strategy (Andrews, 1987). Hayes (Hayes, 1985, p.117) calls this the “command-and-control” mentality since it allocates all the major decisions to top management. The whole field of strategic management is associated with the “point of view” of the top manager.

We use SWOT analysis.

By using SWOT analysis, the managers manage to grasp the current situation in the environment and within the firm (Christensen et.al, 1982).

By forecasting, we provide some features needed for planning.

Strategic planning implies envisioning the future so that we can start now with the preparations for that future. Some of the features of planning are beyond the current period and only assumptions about the future might help in preparing for the future. Assumptions are not just single case forecasts but rather projections about the variety of possible future outcomes. The

forecasts and projections are features that should be considered when formulating plans (Steiner, 1979, p. 236; Andrews, 1987, Christensen et.al. 1982).

Planning has to be formal and explicit.

Once the strategies have been fully formulated, the action follows. Only an explicit strategy can be discussed, investigated and debated (Andrews, 1981, p.24). A strategy must be explicit to be effective and specific enough to require some actions and exclude others (Andrews, 1971, p.37). The strategy should be as deliberate as possible (Christensen, 1982, p. 24), consciously implemented (Christensen, 1982, p. 543) because opportunism is the conceptual enemy of strategy (Christensen, 1982, p. 828-829).

The plan is implemented by the strictly defined steps.

The implementation of the strategy is comprised of a series of subactivities that are primarily administrative. Andrews lists 12 steps in the implementation process regarding time, resources, and other inputs.

Once formulated the plans do not change.

Plans serve as directions when doing business. If changed, plans bring more confusion, inconsistency, and less understanding (Andrews, 1987).

Construct 2: Environmental School of Strategic Management

The firm has to pay attention to the drafts of laws and regulations.

The state is one of the most crucial factors in the environment. The firm has to respect and abide by the laws and regulations (Mintzberg, Ahlstrand, Lampel, 1998, p. 290). Moreover, it is better for the firms to take into account the laws and regulations in their draft phase and make adjustments when planning their future than tailoring their strategies once these laws and regulations are passed.

The firm can only react to changes and adjust to new market demands.

The firm is not in the position to change and alternate the market demands but rather to comprehend the changes in the environment and change accordingly (Mintzberg, Ahlstrand, Lampel, 1998, p. 288).

The key of survival is to adapt to the environment.

Refusing to adapt or change is one of the possible reasons of self-destruction (Mintzberg, Ahlstrand, Lampel, 1998, p. 288).

Some sets of norms and values in the firm are not easily changed.

The cultural component of norms and values shapes the cognitive maps of individuals, groups and the firm and thus presents one of the hardest parts of the firm liable to changes (Mintzberg, Ahlstrand, Lampel, 1998, p. 268).

The firm has to follow the “rules of the game” set by others.

The rules on how to operate within the industry are set by the stronger, more influential competitor or stakeholder and rarely by the firm itself (Mintzberg, Ahlstrand, Lampel, 1998, p. 236).

Only the most flexible survive.

A firm that is flexible and capable of reacting fast to market changes can actually change the way of doing business (Mintzberg, Ahlstrand, Lampel, 1998, p. 288-300).

Mentality and culture directly influence the firm.

Attitudes shaped by the family and the society influence the way an employee thinks within the firm (Mintzberg, Ahlstrand, Lampel, 1998, p. 267).

We are too small to change the world.

The firms, regardless their size, do not feel powerful enough to change business conditions, the relations on the market, and/or the buyers. They accept already established facts (Mintzberg, Ahlstrand, Lampel, 1998, p. 294).

The environment directly and to large extent influences our strategic direction.

Sometimes the environment is taken as the actor instead of the factor when formulating strategy. The environment can influence the decisions and the destiny of the firm (Mintzberg, Ahlstrand, Lampel, 1998, p. 288-300).

The firm cannot do much if the opportunities in the environment oppose its success.

There could be a very strong and interwoven net of biocratic and private relations and therefore it is impossible for a firm to launch its business idea on the market (Mintzberg, Ahlstrand, Lampel, 1998, p. 298).

Firm receives the impetus to change from the environment.

Studies show that all the unexpected catastrophes and crises could have been prevented since there had been signs long before they actually happened (Weick, 1993).

Construct 3: Competitive school of strategic management

We try to be the first to launch the product on the market in order to gain advantage.

In the spirit of competitive battles, the one who first offers the product to the market has *the first mover advantage*, as the one of the most important short-term sources of the competitive advantage (Suarez, Lanzolla, 2005, p.121-125).

Creativity is key factor in formulating strategy.

The process of creativity and innovation involve all the skills, and expertises that are available within the organization (Feurer, Chaharbaghi, 1995, p.20). If the strategy is created according to the administratively correct process procedures both the employers and the employees will lack the drive and the team spirit to implement it successfully.

We focus our energy on the new challenges and not the problems from the past.

The process of strategy formulation is dominated by the active search for new opportunities while resolving past problems is secondary (Mintzberg, Ahlstrand, Lampel, 1998, p. 133).

Strategy is the mix of intuition and wisdom.

Strategy is like a mix of different features combined in different patterns; sometimes factor analysis prevails, sometimes intuition, sometimes experience, and sometimes wisdom. Intuition

and wisdom are the predominating mental features of the top manager in the process of strategy formulation (Mintzberg, Ahlstrand, Lampel, 1998, p. 124).

We proactively create changes on the market.

There are firms that are inventive on the market; there are those who follow them; and those that oppose changes. Acting proactively means that the firm is aware of its active role in creating strategic choices in fulfilling set goals.

The market is a battlefield where we fight our wars.

These words are taken from Knauss' book (Knauss, 2003, p. 15) where he applies Sun Tzu's ideas from the *The Art of War* to modern business environment.

The most successful managers are the source of innovations and ideas that lead to changes.

In the entrepreneurial spirit of the manager lies the source of innovations and ideas that drive changes and improvements in the business environment.

Idea and work are crucial features of a successful business.

The ultimate way of doing business is idea generation and hard work. The top manager realizes the opportunities, gets ideas, develops these ideas, and finally implements them.

It is important for top manager to be charismatic.

The ultimate drive for a top manager is personal authority or charisma that will help him lead with vision if lacking a formal plan (Mintzberg, Ahlstrand, Lampel, 1998, pp. 134-135).

We understand our competitors; therefore, we can forecast their reactions and behavior.

It is very important to understand the competitors, their reactions, behavior when setting strategic goals (Knauss, 2003).

Intended strategy might change if market changes.

Planned, intended strategy is based on analyzes and assumptions. The change in the assumptions might change the intended strategy.

Team spirit and project approach to business create pleasant working atmosphere.

The modern way of doing business is based on teamwork and collaboration since it has proved to be more efficient than individual work.

Construct 4: Contemporary school of strategic management

Training and specialization is very important.

Learning is a never-ending story. Training and specializations (seminars, lectures, and workshops) are formal ways of acquiring knowledge important for both employees and top managers (Senge, 1990, p.3).

A valuable part of our firm is the tacit knowledge (employees' knowledge that is hard to formalize).

Tacit knowledge is the knowledge that employees have, but which is hard to articulate. Polanyi wrote in *The Tacit Dimension* (Polanyi, 1967, p.4 cited in Smith, 2003) that *we can know more than we can tell*.

We work on building competitive advantages.

Success on the market depends on the sustainable competitive advantage that are very hard to identify, foster and develop since they continuously change (Haberberg, Rieple, 2001, pp. 216-218).

Learning makes top managers successful.

Top managers' behavior is directed by their positive and negative experiences and mistakes done in the past. The nature of learning has to be *double-loop learning*, i.e. the top manager should learn how to manage according to his/her experiences (Mintzberg, Ahlstrand, Lampel, 1998, pp. 109-110).

We do business only in the narrow segment in which we are the best.

A firm has to be focused on exploring the core capabilities it posses in order to be among the first in the industry. Hamel and Prahalad coined the term core capabilities to distinguish those capabilities fundamental to a firm's performance and strategy (Prahalad, Hamel, 1990, p.90).

Dynamics of the business is the result of the way the top manager thinks.

The way top managers think is the way they perceive the world. The values they represent are the values that will guide them in implementing their leadership style. If the top manager perceives the environment turbulent, he/she will behave turbulently and impose this feeling of turbulence on the employees.

Dynamics of business is the result of the way the employees think.

A top manager should empower the employees in order to enable them to participate in the proposing and developing of ideas and innovations. Depending on the firm's culture and motivational impulses, employees contribute to the firms' accomplishment of goals and strategies.

Intellectual capital is the most important source of strategy.

Intellectual capital implies structural and human capital (Skandia, 1994). The underlying idea of intellectual capital lies in the fact that people, their skills, and capabilities are the cornerstones of the future of the firm.

3.1.3. Defining the Features for Assessing Firm Performance

Strategic leaders are "map makers" and tactical leaders "map users" (Mintzberg, Ahlstrand, Lampel, 1998, p.162). For the strategy researchers, the option to move away from defining (and measuring) performance of effectiveness is not a viable one. This is because performance improvement is at the heart of strategic management (Venkatarman, Ramanujam, 1986, p. 801).

Strategic management is a process whose ultimate aim is to achieve the goal. This goal could be expressed in financial terms (e.g. percentage of profit increase within five years...) or in the non-financial term (e.g. entering new foreign markets, launching new products, merging with other firms). No matter how the goals have been expressed, the results are expressed in financial measures. Measuring performance is relevant to managers because it helps them make decisions about resource allocation. The strategic fit is a core concept in normative models of strategy formulation. The pursuit of the strategic fit has traditionally been viewed as a desirable

performance implication. The system of performance indicators offer only a limited overview of the firms overall performance. Various indicators have been developed based on different goals, aims and criteria (Popović, Vitezić, 2000, p.128). The goals demand for both financial and non-financial results in order to grasp the long-term success. Apart from fulfilling specific goals, there is always a question of maintaining the health and sustainability of the firm in the long run. Therefore, financial or non-financial results could indicate the level of fulfillment of the specific goal, but could be in collision with other goals and ultimately damage the whole firm. Therefore, the methodology of perceiving performance from different perspectives (like Balanced scorecard) is a holistic view on the firms' success.

Due to the growing differences in industries, processes, and goals the financial measures grow in complexity. Nowadays, firms are forced to search beyond traditional financial measures and place greater emphasis on performance metrics related to softer issues embedded in people and processes. The strengths or weaknesses do not show up on a balance sheet (Bromwich and Bhimani, 1994). Organizational theorists argue that overall organizational effectiveness is assessed only if viewed from multiple consistencies (Connolly, Conlon, Deutsch, 1980, Boyd, 1991; Chakravarthy, 1986; Venkatraman, Ramanujam, 1986).

Strategy involves the use of resources that give the firm a competitive advantage (Barney, 1991) and ROA yields the most direct information about how efficiently these resources have been allocated (Hull, Rothenberg, 2008, p. 785). Therefore, ROA is the most common accounting-based performance measure (Bergh, Ngah-Lim, 2008, p.601) highly correlating with other measures such as return on sales (ROS) and return on equity (ROE). Contrary to that, earning per share value (EPS) reflects mainly the financial performance from the investor's perspective.

Both measures, ROE and ROA are highly dependent on the industry. They represent the idea of how effectively the firm is converting money; total assets (ROA) and equity (ROE) into net income. Hence, earnings are important, but not that important. Earnings themselves do not represent value. Rather, they are the source of value. Graham and Dodd (Graham, Dodd, 1996) cared about earnings only to the extent that they increased the firm's value, which came directly from the balance sheet. By adopting their definition of value, return on equity, not earnings alone, is the most important metric of value creation. The measure of ROE can be artificially inflated. Instead of issuing stocks, the firm borrows the funds, and thus lowers the book value. As a result, the ROE is increased but there is no increase in profit. Many financial experts recommend examining ROE over a longer period, not just for the former year. This will take out any abnormal numbers out of the picture and will give a more realistic view. Over the long run, firms that are good at generating higher profits with the available assets are more viable and beneficial for financial investments.

For the purpose of this dissertation, I focused only on the following financial indicators: the value of return on equity (ROE) and return on assets (ROA). The non-financial results were not considered.

There is a vague relationship between strategy and strategic activities and the firm's financial results. Different relations, variables, and forces influence and interrupt the strategy-to-financial results relation. In addition to that, this relation is not a one-way, but rather a two-way relation. Therefore, the financial results influence the strategy and the strategy influences the financial results.

The empirical research studied firms with 250 employees or more i.e. large firms, coming from different industries with different ownership structure. As a result, and due to the sample size, there was no possibility to form classified groups. I was unable to control reliably the industry effects and/or other competitive groupings.

One of the subjective criteria includes the respondents' view of their rating if compared to other firms active in the same industry (Pearce et al., 1987; Brews and Hunt, 1999 cited in Brews, Tucci, 2004, p.428), or the respondents' perceptions of their firm's current profitability, growth/share, future positioning, quality, and social responsiveness (Hart, Banbury, 1994). However, in order to have a higher response rate it was necessary to avoid any questions about the financial results of their firms. All the financial data was gathered from secondary resources. The firms on the stock market have to issue reports on the financial results of their firms (Croatian Agency for the Control of Financial Service, <http://www.crosec.hr/jik/default.asp>). The publications like *Poslovni magazin* and *Zavod za istraživanja tržišta* started ranking the Top 100 or Top 500 of the most successful firms in Croatia, each using a distinctive criteria of ranking by selecting different financial data. The first of the mentioned journals does not offer the absolute, but rather relative figures of the financial data.

According to Hart and Banbury (Hart, Banbury, 1994, p. 265), the strategic process is a significant predictor of firm performance. Moreover, higher levels of capability in strategy making facilitate superior performance in a wide variety of settings and situations (Hart, Banbury, 1994, p. 265).

3.2. Research Sample

The research unit of the analysis was the top manager's perception. Since it is generally assumed that the top manager is the person responsible for the process of strategic management in the firm, I have decided that he/she is the most appropriate person for these questions. According to the *McKinsey Survey* under the title *Improving strategic planning* (McKinsey Survey, 2006, p.3), 62% of the respondents admit that the most strategic decisions in the firm are made by a small group of seniors, the CEO or equivalent.

This thesis uses the term **top manager**, as the term representing the person or team of people who manage and lead at the very peak of the firm. It could be the case of a single person or a team. The name for this function is different; chief executive officer, managing director, top manager, general manager, senior manager and depending on the title they have slightly different responsibilities. In some firms, these responsibilities overlap. However, there is one thing that they all have in common and this is that they are in charge of carrying out the business policy and the process of strategic management.

The perceptions of top managers about the process of strategic management (particularly the features of strategic thinking and schools of strategic management) strongly influence the way the process of strategic management is formulated and the way it is going to be implemented, controlled, and evaluated. Top managers influence the perception of their direct subordinates and other employees in the firm, thus building the image of the firm on the market. The top managers' perception is a part of their paradigm, according to which they shape their style of management and leadership and the way they comprehend the environment, the firm, and the future of their firms. The perception of the strategic management process does not interfere with

the strategy content (e.g. the specific features of their industry or market characteristics), but rather the way it is approached.

The control variable for this research included **large firms** in the Republic of Croatia. The criterion for differentiating large, which I chose, and medium size firms, is the number of employees cited by Law on Accounting (Zakon o Računovodstvu, NN/2005, Article 17). This Law defines large firms as the ones that meet at least two of the following conditions: total assets above 108 million KN, revenue above 216 million KN and 250 employees minimum. Since there is no database that could rank firms according to assets and revenues jointly, I did not strictly follow the criteria set by article 17 of this Law. Therefore, I took into consideration only the number of employees as the criterion for selecting large firms in the Republic of Croatia. According to this Law, banks, financial institutions, insurance and reinsurance companies should be considered large firms. The empirical research took into consideration only firms that are registered and that operate on the territory of the Republic of Croatia.

The rationale for taking only large firms in the sample is that large firms have organizationally complex structures and the top manager is specifically responsible for the process of strategic management. The process of strategic management and strategic thinking are formalized or, at least, are a conscious activity that regularly takes place. The strategic thinking in large firms is more elaborated. Top managers recognize the importance of further specializing themselves to deal with such challenges. Furthermore, they have resources and human capability allowing their strategic thinking to become more competent, complex, and effective. This should prove itself beneficiary to the large firms thus evolving into their competitive advantage.

Medium and small firms have fewer resources available and do not have the capacity to devote time, energy, people, and other resources for formal analysis of strategic issues. Strategic thinking is less formalized; it is more intuitive and subconscious and therefore harder to empirically test. Strategic thinking in medium and small size firms is more dynamic; it emerges more easily but at the same time, it is easier to influence and redirect it away from planned activities. It would be very wrong to assume that strategic thinking in medium and small firms is immature, but rather that it does not have the same possibility of combination, contradictions, influences, variety of opinions, and ideas as large firms.

A large firm forms a wide network together with many small firms in the area, and it indirectly sets the business rules small firms have to adjust to in order to stay in the game.

In conclusion, the way a top manager perceives the process of strategic management strongly influences the way he/she manages the firm and the way he/she makes strategic decisions. This does not influence solely the large firm they are managing, but also a large number of small firms with whom they do business.

3.3. Questionnaire Structure

I used a questionnaire, as the research instrument, to test the top managers' perceptions of the process of strategic management, more precisely, the constructs of strategic thinking and schools of strategic management. I chose this tool because it has proved itself the most suitable for field research. With personal interviews, I would not have the possibility to reach the whole sample of top managers of the large firms in the Republic of Croatia. The focus groups or telephone interviews are also inappropriate due to the type of the respondents and the research topic.

Moreover, the sample firms operate on the entire territory of Croatia making it very difficult to approach them directly; therefore, the questionnaire proved itself the best instrument that could reach them indirectly. The most appropriate form is a printed questionnaire. I am aware that by doing so, I lost the possibility to discuss and find out the opinions of top managers other than those stated in the questionnaire.

The questionnaire is attached in the Appendix II. The questionnaire consists of three parts. Section I deals with questions about the characteristics of management, strategic decision-making, strategic planning, and strategic thinking. The questions are explained later on in the text. Section II consists of a list of premises about the features of strategic thinking and a list of premises of strategic management schools. The premises are explained in Chapter 4.1.1 and 4.1.2. In Appendix I there is the list of premises with the pertaining codes. Section III deals with demographic questions about the top manager and the firm in general (top manager's age and education). There are also general questions about the firm and the profile of the person filling in the questionnaire if different from top manager.

The questions are both multiple choice and open questions. The premises are formulated with everyday business vocabulary and form statements about general business principles and attitudes. The top managers decide if they agree or disagree with the statement and to what extent, implying whether they use those principles in practice or not. I used the four- Likert scale, because I tried to avoid neutral or undecided answers.

The questionnaire was based on the theoretically formulated sources of information from strategic management theory. The theoretical background for each of the questions is as following:

According to your opinion, who has the biggest influence in bringing the decisions about the strategic issues in your firm?

This question points out the person or group that has the biggest influence when deciding on the strategic issues in the firm. The answers can range from top manager, team of top managers, board of directors, owner, political influence or persons or institutions outside the firm. The answer to this question reflects the direction of strategic thinking.

Improving strategic planning in the *McKinsey survey* (McKinsey Survey, 2006, p.3) suggests who can be in charge of deciding upon the strategic issues. The most frequent answer is a small senior group, including the top manager or equivalent, and then as follows: the formal strategic planning process, business unit leader, top manager or equivalent, sector leader and frontline employees. The answers vary depending whether the focus of discussion is on the person who takes the strategic decisions or on the source that influences the person taking the strategic decision. This was deliberately shaped as an open question in order to grasp both standing points. The assumption was correct. The answers offered possible directions: different hierarchical levels in the organization, outside and inside influences and the influences from the owner. Sometimes it does not matter who makes the decision, but rather who has the strongest power to influence this strategic decision.

According to your experience, what are the most desirable features of a successful manager in Croatia?

This question has the aim to grasp the characteristics, which should not be theoretically classified into categories like management functions, activities, personal character, but rather to take into account the heuristics of the top manager when answering the question. The first thing the top manager writes down, after reading the question is probably the most honest and truthful. In this way top managers' words reveal their own perspective, vocabulary, and priorities that have business relevance.

You are the most competent in the field of:

a) Planning b) Organizing c) Human resource d) Leadership e) Control f) Other

This classical classification of management functions (Koontz, Wehrich, 1988) is set to measure what, according to the top managers self-evaluation, are the most developed capabilities. Since the nature of the managerial job could not be simplified to these five strictly divided capabilities, the respondents could circle more than one answer. This question offered five possible options in order to direct their answers towards the five theoretically distinctive management functions.

What is the most determining factor in planning the future of the firm:

a) Business environment b) Firm capabilities c) Influence of the owner d) Competition e) Other

Current conditions, people, and their points of view determine planning the future. The question questions the balance between inside and outside factors influencing the firm.

How much time you devote to thinking about the future of your firm?

a) Daily b) Few days a week c) Few hours a month d) Nothing listed _____

Top managers' primary role is to devote time, resources, and energy towards the future and coordination of the firm. This question has the intention of finding out the frequency of the top manager's activities and time devoted to strategic thinking.

What has influenced your way of thinking about strategic development of your firm?

The behavior of top managers is influenced not only by current business conditions and relations, but also by the ideas, thoughts, and sequence of past events. The answers to this open question give a glimpse of the factors that influence the top manager's points of view and include even those factors that are not typical for the business environment.

How long have you been working on the current position?

a) Less than a year b) 2 to 5 years c) 6 to 10 years d) 11 years or more

The period that top managers spent operating at the top managerial level changes the perspectives and their level of maturity in understanding the nature of their work. In other words, the time that top managers spent on the top position, alternates and modifies their behavior.

Where did you work prior to your current position:

a) **Inside the firm** b) **In a similar firm** c) **In a firm from a different industry**

The top manager *grows* inside the current firm, and by climbing the organizational ladder, he/she is actually getting acquainted with both the inner capabilities and the culture of the firm.

How do you see strategic thinking?

(e.g. What does it imply? How is it manifested?)

It is an open question aimed to test the top managers understanding of strategic thinking. Strategic thinking is indeed a complex and confusing word and therefore it is important to get a grasp of what top managers include or exclude before asking them about the specific segments of strategic thinking. Top manager's examples of strategic thinking are indicators of the practical implications according to their everyday activities.

3.4. Methodology

The initial stage of the empirical research included doing a pilot research involving three top managers and consulting two academics. The semi-constructed interview with the three top managers offered insights about the structure and type of questions in Section I and Section III of the questionnaire. They read the statements in Section II and suggested reformulating some questions, deleting and adding questions in order to elaborate on some issues making them more understandable. Their suggestions added to the straightforwardness of statements and a better understanding of instructions. The academic sources offered suggestions for methodological improvement in order to relate statements to the research hypothesis and stressed the logical flaws in the questionnaire. After revising the questionnaire according to the suggested improvements, I distributed it to the whole population of large Croatian firms that employing at least 250 employees.

I used the official database of the Croatian Chamber of Economy (www.hgk.hr) to select the firms according to the criteria of the number of employees. On August 18, 2005, the database listed 401 firms that had 250 and more employees. The limitation of this database is that the firm itself, and not other statistical sources, states the number of employees. If the firm had not given the information on the number of employees, the database was unable to recognize such a firm when filtering large firms.

The field research was conducted from October 2006 until June 2007. During that period, I sent the questionnaire by post twice and I contacted a few top managers via telephone, fax, e-mail and/or in person. In addition to the questionnaire, the respondents received a letter of support issued by the Croatian Chamber of Commerce and web portal *q21.net*.

By the end of June 2007 there were 127 respondents, representing a 31, 67 % response rate. In direct contact with the firms, I realized that two firms from the database should have been taken out of the population because these firms were not actively operating anymore. When taking into consideration this remark, the population of large Croatian firms was 399 in total. Correspondingly, the response rate was 31. 82%.

Hair (Hair, et.al. 1998, p. 98) suggests that, as a rule, a study should include at least five times as many observations as there are variables, but the more acceptable size would be a ten-to-one-ratio. In my case, there are nine times more observations than there are variables (ten variables of strategic thinking and four schools of strategic management in comparison to 127 observations).

Table 1 shows the demographic characteristics of top managers/respondents of the questionnaire. The analysis of demographic data disclosed a number of data. In 56.7 % of the firms, the top manager is between 46 and 60 years old. The second largest group of 36.2% is grouped between 31 and 45 years of age and 3.9% of top managers are above 61 years of age. The least numbered group of only 1.6 % firms has top managers less than 30 years of age. As far as educational qualification is concerned 66.1% of top managers in large Croatian firms hold a Bachelor degree, 18.1% Master or PhD degree, 7.9% associate degree and 4.7% of the top managers have a high school diploma. The top managers have been appointed to their current position in the firms for less than a year in 15.7% cases, from two to five years in 41.7% cases, from six to ten years in 23.6% cases and for eleven or more years in 16.5% cases. Prior to this position 53.5 % of the top managers were employed with the same company but at lower level, 14.2% of them used to work in a similar firm, and 29.1% came from a different industry. In 60.6% of cases, the top manager filled in the questionnaire, while in 30% of the firms it was somebody else from the top managerial level. The firms included in the empirical research staff different number of employees. In 55.9 % of the cases, firms have between 250 and 500 employees, in 22.8% cases the number of employees is between 501 and 1000, while in 16.5% cases the number is between 1001 and 5000. The last category is between 5001 and 15000 and that makes up for 3.9% of the cases. The ownership of the firm is mainly private in 56.7% of the firms; 32.3 % of the firms are mainly state owned and in 10.2% it is a case of mix ownership. There are 55.9% production oriented firms and 41.7% of the firms operate in the service industry. According to the Croatian National Classification of Industries most of the sample firms (44.9%) are registered as D industries (manufacturing industry), 15.7% G industries (wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods), 11.8% I industries (transport, storage, and communication) while the rest of the sample firms operate in other industries. When looking at the dominant market orientation of the firms 48% of them operate on the domestic market, while 29.9% operate on mix and 21.3% on foreign markets. When looking at the history of the firms, most (70.1%) of the large firms have been operating for more than 31 years, 18.9 % of the firms between 11 and 30 years, 8.7% between 4 and 10 years, and finally 0.8% for less than 3 years.

The empirical research showed that the average respondent and the average firm have the following profiles:

- Top manager answered the questionnaire (60.6%),
- Top manager is between 46 and 60 years of age (56.7%),
- Top manager holds a university degree (66.1%),
- Top manager has been on the current position between two and five years (41.7%),
- Prior to the current position, he/she worked inside the firm (53.5%),
- Firm employs between 250 and 500 employees (55.9%),
- It is a private owned firm (56.7%),
- Firm produces rather than offers service (55.9%),
- Firm operates in D Industry (44.9%),
- Firm has been operating for more than 31 years (70.1%), and
- Firm works mainly on the domestic market (48%).

Table 1: Demographic information about top managers and the firms responding the questionnaire

Item	Frequency	Percentage (%)
Age		
No data	2	1.6
Under 30	2	1.6
31-45 years	46	36.2
46-60 years	72	56.7
61 and over	5	3.9
Education		
No data	4	3.1
High school	6	4.7
College/Associate degree	10	7.9
Bachelor degree	84	66.1
Master or PhD degree	23	18.1
Experience at current position		
No data	3	2.4
Less than a year	20	15.7
Between two and five years	53	41.7
Between six and ten years	30	23.6
Eleven years or more	21	16.5
Experience prior to the current position		
No data	4	3.1
Inside the firm	68	53.5
In a similar firm	18	14.2
In a firm from a different industry	37	29.1
Position*		
No data	11	8.7
Top Manager	77	60.6
Other top managerial position	39	30.7
Number of employees		
No data	1	0.8
250-500	71	55.9
501-1000	29	22.8
1001-5000	21	16.5
5001-15000	5	3.9
Industry classification		
A	4	3.1
C	2	1.6
D	57	44.9
E	2	1.6
F	11	8.7
G	20	15.7
H	6	4.7
I	15	11.8
J	2	1.6
K	4	3.1
O	4	3.1
Continue on the next page		

Item	Frequency	Share(%)
Ownership		
Private	72	56.7
State	41	32.3
Mixed	13	10.2
Firm's Orientation		
No data	3	2.4
Production	71	55.9
Service	53	41.7
Years in business		
No data	2	1.6
Less than 3 years	1	0.8
4-10 years	11	8.7
11-30 years	24	18.9
More than 31 years	89	70.1
Dominant market orientation		
No data	1	0.8
Domestic	61	48
Foreign	27	21.3
Mixed	38	29.9

* In the thesis the term *top manager* covers a variety of meanings (confer 4.2. Research sample). All the respondents manage at the very peak of the organizational structure. If they are in charge and have responsibility of the whole firm, they belong to the first group of respondents. If they are a top management team member, the head of a department at the top executive level or on a similar position, they belong to the second group of respondents.

Source: Empirical data

The questionnaire is statistically representative according to several criteria. The t-test shows no significant difference between respondents and non-respondents concerning the following several criteria; form of ownership ($t = 0.614$, d.f. 399, $p > 0.10$), legal form of firm ($t = 1.137$, d.f. 399, $p > 0.10$), origin of capital ($t = 0.770$, d.f. 399, $p > 0.10$), and Croatian National Classification of Industries ($t = 0.483$, d.f. 399, $p > 0.10$). There was, however, one criterion showing a statistically significant difference between respondent and non-respondents; the number of employees in the firm ($t = 0.842$, d.f. 399, $p < 0.10$). The data showed that the responding firms employ more employees than non-responding ones.

The geographical distribution of respondents according to county chambers in Croatia is presented in Table 2. The percentage of population and the percentage of responses of large Croatian firms within individual county chambers showed to be more or less balanced.

The validity for both the constructs of strategic thinking and the constructs of strategic management schools is tested by *construct*, *symptomatic* or *theoretical validity* in two ways (Psihometrija, 2001/2002, p.26). The subjective method of testing theoretical validity is performed by generating sentences/premises in order to develop a questionnaire based on theoretical literature. Once the questionnaire was created, two professors of strategic management read the statements and suggested content improvements. Each of the premises is founded on a specific paper and/or idea and supported by relevant literature. The objective method of testing validity was performed through factor analysis and by generating the most relevant features of strategic thinking or most relevant premises of the schools of strategic management. I also conducted a *face validity* test (<http://writing.colostate.edu/guides/research/relval/com2b2.cfm>). In

order to ensure that the questionnaire is well suited for practitioners in terms of statement clarity and straightforwardness of instructions, I consulted three top managers working in large Croatian firms.

Table 2: The distribution of population and responses according to individual county chambers

Code	County chamber	Population	% of population	Responses	% of responses
1001-1009	Karlovac	9	2.244	9	7.086
1010-1018	Bjelovar	9	2.244	3	2.362
1019-1025	Šibenik	7	1.745	0	0
1026-1032	Zadar	7	1.745	3	2.362
1033-1041	Vukovar	9	2.244	2	1.574
1042-1048	Virovitica	7	1.745	1	0.787
1049-1067	Varaždin	19	4.740	4	3.150
1068-1094	Split	27	6.733	8	6.300
1095-1102	Slavonski Brod	8	1.995	2	1.574
1103-1109	Sisak	7	1.745	1	0.787
1110-1139	Rijeka	30	7.481	15	11.811
1140-1160	Pula	21	5.239	6	4.724
1161-1170	Požega	10	2.493	1	0.788
1171	Otočac	1	0.250	0	0
1172-1199	Osijek	28	6.982	9	7.087
1200-1208	Krapina	9	2.244	5	3.940
1209-1217	Koprivnica	9	2.244	1	0.788
1218-1226	Dubrovnik	9	2.244	7	5.511
1227-1244	Čakovec	18	4.490	6	4.724
1245-1401	Zagreb	157	39.153	44	34.645
	TOTAL	401	100 %	127	100%

Source: Empirical data

3.4. Statistical Methods

The empirical data was tested by using a variety of methods. I used descriptive statistics in order to sort and get demographic data. I conducted the validity and reliability tests on the constructs of strategic thinking and the constructs of schools of strategic management according to the theoretical assumptions. The second phase included factor analysis in order to establish factor loadings for each individual construct. I chose to use the *bivariate regression* to test some of my hypothesis. The final model was created using the *structural equation modeling*.

4. THE RESULTS OF THE EMPIRICAL RESEARCH

4.1. Hypothesis about Strategic Thinking

Hypothesis 1.1: *Each manager employs some features of strategic thinking.*

The term strategic thinking is new, and therefore used in a confused manner in the business world. The meaning of the word *strategic thinking* has different and for many managers unknown meaning. The content of the word strategic thinking is manifested throughout the several constructs that have been validated in the previous chapter. Construct is the statistical term and it corresponds to the feature of strategic thinking. Premise is a statistical term and corresponds to the statement in the questionnaire. There are several constructs-features of strategic thinking that were empirically tested in the questionnaire; ability to offer a system view, generate hypothesis, focus on specific issues, manage and understand time, a level of professional competency, flexibility, future orientation, political sensitivity, intuition drive, and ability to comprehend paradox/equilibrium. Each of the features of strategic thinking was empirically tested by their own construct consisted of several premises. In the Table 3 is a short summary of strategic thinking constructs-features tested in the questionnaire and the number or premises correspond to each construct- feature of strategic thinking.

Table 3 Constructs- features of strategic thinking tested in the questionnaire

Statements*	Constructs- features	Number of premises-statements
1-4	System view	4
5-8	Hypothesis	4
9-12	Focus	4
13-16	Time	4
17-22	Professional competency	6
23-28	Flexibility	6
29-33	Future	5
34-37	Political sense	4
38-40	Intuition	3
41-48	Paradox/equilibrium	8

* For the statistical purpose, the statements-premises are coded. The list of the premises and their codes is in the Appendix I.

Source: Empirical data

Strategic thinking is a concept that is manifested by certain opinions and attitudes. If the opinion is lacking it is correlated to the lack of understanding and/or the lack of comprehending the underpinning ability and skill represented by the premise. Strongly disagreement is a sign that the premise is not accepted and strongly opposing, meaning not utilized in strategy practicing.

When looking at the premises in table 4, it can be noticed that small percentage of answers are dedicated to strongly disagree option. Only the premise *The final strategy depends on the strength of several interest groups within the firm* (Hpolsens35) has exceed above the level of 35,43%. Top managers have strongly disagreed with this premise not recognizing it as relevant in their strategic perspective. Top managers do not recognize interest groups within the firm that could strongly influence final strategy, but rather the groups outside the firm, like owners or stakeholders in their environment. This premise was excluded from further analysis.

Table 4: Selected frequencies of strategic thinking features

Premises*	No data	Strongly disagree	% in total	Disagree	Other	Total
Asystem1	3	1	0.78	4	119	127
Asystem2	1	2	1.57	35	89	127
Asystem3	3	16	12.59	35	73	127
Asystem4	1	4	3.14	18	104	127
Bhypo5	4	1	0.78	9	113	127
Bhypo6	2	3	2.36	18	104	127
Bhypo7	5	2	1.57	18	102	127
Bhypo8	3	0	0	7	117	127
Cfocus9	1	5	3.93	24	97	127
Cfocus10	3	13	10.23	56	55	127
Cfocus11	2	1	0.78	35	89	127
Cfocus12	4	13	10.23	59	51	127
Cfocus13	1	9	7.08	48	69	127
Dtime14	2	5	3.93	47	73	127
Dtime15	1	15	11.81	29	82	127
Dtime16	3	6	4.72	43	75	127
Eprofcom17	1	5	3.93	29	92	127
Eprofcom18	1	5	3.93	33	88	127
Eprofcom19	2	1	0.78	5	119	127
Eprofcom20	2	2	1.57	11	112	127
Eprofcom21	1	2	1.57	5	119	127
Eprofcom22	2	3	2.36	25	97	127
Fconflex23	1	17	13.38	63	46	127
Fconflex24	1	0	0	13	113	127
Fconflex25	1	4	3.14	41	81	127
Fconflex26	1	2	1.57	5	119	127
Fconflex27	4	3	2.36	24	96	127
Fconflex28	2	14	11.02	31	80	127
Gfuture29	1	1	0.78	10	115	127
Gfuture30	1	8	6.29	44	74	127
Gfuture31	4	12	9.44	34	77	127
Gfuture32	4	9	7.08	37	77	127
Gfuture33	1	3	2.36	24	99	127
Hpolsens34	1	25	19.68	50	51	127
Hpolsens35	1	45	35.43	47	34	127
Hpolsens36	2	10	7.87	22	93	127
Hpolsens37	3	16	12.59	28	80	127
Intuit38	2	18	14.17	67	40	127
Intuit39	1	23	18.11	55	48	127
Intuit40	2	2	1.57	20	103	127
Jparadox41	2	0	0	6	119	127
Jparadox42	2	1	0.78	9	115	127
Jparadox43	1	5	3.93	24	97	127
Jparadox44	1	0	0	8	118	127
Jparadox45	2	5	3.93	27	93	127
Jparadox46	2	3	2.36	21	101	127
Jparadox47	1	0	0	3	123	127
Jparadox48	2	12	9.44	33	80	127

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

The hypothesis 1.1 is accepted while there is no premise (with one premise exception that was excluded from further analysis - Hpolsens35 *The final strategy depends on the strength of several interest groups within the firm*) that is dominantly being denied by the top managers. Denying-

refusal, meaning strongly disagreeing, would mean that the premise would not describe the dominating thought about process of strategic management. The strategic thinking is underpinning concept that is manifested in many different expressions. If those expressions were not recognized, top managers would not utilize any (or some) features of strategic thinking. This hypothesis was very general in nature aiming to filter those premises- statements that top managers do not use or regard as unimportant.

Hypothesis 1.2: Top managers employ certain features of strategic thinking more often than other features.

In Table 5 are descriptive statistics of strategic thinking constructs. The most employed constructs, according to the mean value, are in bold and the last column is the ranking starting from the most utilized up to the least utilized construct. This ranking represents the combination of the most frequently considered features of strategic thinking for all managers in the questionnaire. Due to the representativeness of the sample, it could be generalized as the combination of the strategic thinking features of Croatian top managers.

Table 5: Descriptive statistics of strategic thinking constructs

Constructs*	N	Sum	Mean	Std. Deviation	Variance	Rank
Asystem	127	392.00	3.0866	.49036	.240	4
Bhypo	127	408.75	3.2185	.61881	.383	1
Cfocus	127	333.25	2.6240	.46170	.213	8
Dtime	127	340.25	2.6791	.46065	.212	7
Eprofcom	127	392.33	3.0892	.51554	.266	3
Fconflex	127	362.33	2.8530	.45649	.208	6
Gfuture	127	368.20	2.8992	.49881	.249	5
Hpolsens	127	312.00	2.4567	.60018	.360	9
Intuit	127	311.33	2.4514	.60207	.362	10
Jparadox	127	398.38	3.1368	.40380	.163	2
Valid N	127					

* The codes are the following: Asystem = ability to offer a system view, Bhypo= generate and test hypothesis, Cfocus= focus on specific issues, Dtime= manage and understand time, Eprofcom= have a level of professional competency, Fconflex= being flexible, Gfuture= future orientation, Hpolsens= be politically sensitive, Intuit= intuition driving, Jparadox= ability to comprehend paradox/complexity/uncertainty.

Source: Empirical data

Top managers ranked the most frequently used features of strategic thinking as hypothesis generating and testing; understanding paradox, complexity, and uncertainty; professional capabilities; system view and orientation toward future.

The construct that top managers agree upon in the largest extent is the **ability of generating and testing hypothesis**. Thinking imposed by generating hypothesis is the need recognized by the most managers in the questionnaire. The unstable environment and unpredictable situation are impetus that forces managers to envisage, predict, and forecast the worst and the best possible outcome. The hypothesis is not generated in order to develop and train thinking ability but rather

to deal with real problems and situations that came across top manager's desk on a daily basis. It is a question if managers accept this hypothesis generating activity as a self-oriented activity or a more formalized and team-based assignment.

The second most utilized construct is the one that **combines paradox, complexity, and uncertainty**. In accordance with the first ranked construct, it is very logical for managers to select this construct as the second most utilized feature of strategic thinking. Unstable environment have urged on managers to comprehend complexity in a short period. It is of an extreme importance for top managers to point the ability to prioritize between long and short-term problems and recognizing that different attitudes bring higher quality solutions. This construct is a kind of consequence of the first ranked construct.

The third is the **professional competencies** construct. Only after mastering the technical processes in the firm and being able to manage the firm's survival, managers are able to focus on the higher level- professional capabilities as top managers. This listing of priorities is very natural, intuitive, and evolutionary stage of developing management.

The forth construct is **system thinking** element. Managers feel the importance of realizing big picture of the firm, and the role of designing the firm in compliance with the main processes. The fifth element of strategic thinking is the orientation toward future. Managers should be clear with the vision when dealing with the future and leading other employees.

The top three features demonstrate the capability to overcome the barriers and frameworks of thinking out of the box. The good foundation for strategic thinking is to open the horizon of thoughts, provoking thoughts of unexpected and accepting everything possible. It is not just expecting normal and perceiving the environment as unstable and complex. The top three characteristics open the window of possibilities of thought not suggesting limits or barriers. The next three features are devoted to professional competency, system view, and future orientation. These are more stable nevertheless contemporary approaches to strategic thinking. The large firms should be managed as systems with interactions and interdependencies in mind. Future vision is the guide in situations confronting business paradoxes, complexity, and uncertainty toward the accomplishment of long-term goals.

The less than average listings are features like; flexibility, perception of time, focus orientation, political sensitivity and the least used is intuition. **Conceptual flexibility** is about tolerating imperfections in information received, constant changes in plans, and surprises in business. Managers seem to work on reducing the unexpected changes that occur in business in order to plan, prepare, and be ready for at least most of the challenges.

Perception of time is difficult, while top managers confront three different points in time at the current moment. Top managers combine three time dimensions (past, present, and future) and should be strongly connected to the dimension that is the least real- the future. Top managers cannot have the luxury to devote time only to one, two, or three activities; rather they spread the time to several different directions, prioritizing between the urgent and strategic issues.

Political sensitivity is something that I suspected as the most important element of strategic thinking of top managers. Contrary, it came out to be one of the least important features of strategic thinking. Managers in Croatia are considered to be very much interwoven with politics, but these results showed a contrary situation. There could be several different explanations. One

of the possible explanations could be that politics is regarded as the normal element of each business and therefore no special emphasis was put when fulfilling questionnaire. Top managers got used that politics is one of the crucial features and do not regard it as unnatural part of the

business. The other explanation is that top managers would like to make the pressure from politics smaller and did not want to admit its real strength.

The more perplexing element is the perception of **intuition** as the least frequent element of strategic thinking. It is strange that manager did not put intuition higher in the top list, but rather imposed more stress on the professional capabilities. I argue with two distinctive reasons for this fact. The first reason is that manager thinks about strategic thinking as an opposing concept of intuition. Maybe they regard intuition as a more natural ability contrast to the strategic thinking that might be formal way of dealing with problems. The fact that they put professional capability rather high in ranking could mean that they appreciate more scientific, practitioner and formal way of educating of strategic management rather than cherishing intuition. At the end, it is not very positive to regard intuition as the negative aspect of business. The intuition is logical, subconscious, and inner voice of manager's rationality. It could help managers in the most delicate and sophisticated decisive moments.

Table 6 represents the ranking of all individual premises of different constructs of strategic thinking. From this ranking, there could be depict the importance and general overview of average top managers when selecting the combination of strategic thinking features. The highest ranked premise is *Different attitudes and opinions bring higher quality solutions*. The fact that this premise has the highest rank means that top managers really believe in this premise. In case some small percent of manager have ranked this premise, it could be regarded as coincidence, but in this case, it should be regarded as general opinion. This premise implies that top manager do not decide on their own, but consult their team, employees, and stakeholders. The strategic decision is not the decision of an individual, rather the thinking of a group of people. The differences bring a new dimension- many versions of truth and variety of opinions that might hold in business. There is no single best option and the perfect solution. Top managers need to listen, provoke other opinions, and discuss them. Others bring new sources of ideas, plans, innovations, and solutions. This premise would imply that strategic thinking could not exist if not reaching the mezzo and macro level of evolution.

The second most utilized premise is that *I am well informed and comprehend technical processes in the firm*. It is the bottom line of leading and managing the firm. Knowing technical processes in the firm help top manager to separate value added process from the trivial ones. Manager without the knowledge of technical processes in the firm could jeopardize the success of the firm and its future existence. The industry knowledge and knowing the rules of the game within the industry is crucial for leading the firm. Without that, knowledge manager will have poor results. When analyzing business sector there are many managers with technical background that never thought of becoming managers, but their technical expertise brought them to managerial level in the firm. They learned management principles by working, looking, training and additional formal education or just they followed their intuition and learned from mistakes. Strategic thinking in some areas is industry specific, and therefore hard to reach by book or general strategic management class/education.

Table 6: General demographics of strategic thinking premises

Strategic thinking premises*	Mean	Std. Deviation	Analysis N
Jparadox44	3,5276	0,65255	127
Eprofcom19	3,4490	0,75290	127
Jparadox41	3,4173	0,72857	127
Bhypo8	3,3937	0,79839	127
Asystem1	3,3543	0,79210	127
Gfuture29	3,3386	0,72616	127
Bhypo5	3,3228	0,88982	127
Jparadox47	3,3071	0,59777	127
Eprofcom21	3,2598	0,68095	127
Jparadox42	3,2441	0,75295	127
Fconflex24	3,2283	0,69224	127
Eprofcom20	3,1811	0,78090	127
Fconflex26	3,1654	0,63949	127
Bhypo6	3,1417	0,86120	127
Asystem4	3,1260	0,82608	127
Gfuture33	3,0630	0,82374	127
Jparadox46	3,0315	0,83511	127
Bhypo7	3,0157	0,93422	127
Jparadox43	3,0079	0,84980	127
Eprofcom22	2,9528	0,82480	127
Intuit40	2,9213	0,71942	127
Cfocus9	2,9134	0,78703	127
Asystem2	2,9055	0,80112	127
Hpolsens36	2,8819	0,93956	127
Eprofcom17	2,8740	0,80664	127
Fconflex27	2,8740	0,87280	127
Cfocus11	2,8425	0,78098	127
Jparadox45	2,8268	0,80765	127
Eprofcom18	2,8189	0,80096	127
Fconflex28	2,7559	1,02133	127
Fconflex25	2,7480	0,78648	127
Jparadox48	2,7323	0,97141	127
Dtime13	2,6772	0,92481	127
Hpolsens37	2,6693	1,02396	127
Dtime14	2,6535	0,83929	127
Gfuture31	2,5669	0,93087	127
Cfocus10	2,5118	0,88071	127
Cfocus12	2,4724	0,95806	127
Asystem3	2,3780	0,91659	127
Fconflex23	2,3465	0,90306	127
Dtime16	2,3071	0,78186	127
Hpolsens34	2,2913	0,92676	127
Intuit39	2,2520	0,86344	127
Intuit38	2,1811	0,78090	127
Gfuture32	2,1654	0,94082	127
Dtime15	2,1496	1,00853	127

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

The third premise is *top management uses very often experience when taking decisions*. Managers accumulate both positive and negative experience and use it as the reliable source when taking decisions. Mistakes done in the past and success stories contribute in the process of formulating the pattern of behavior, standard of normality and suggested way to resolve problems. Experience is a rich box of traces and records of past events, situations and relations and therefore the possibility to accumulate the knowledge gained throughout the years. The experience is positive in cases when it promotes change and question the logic of commonly agreed facts, rules, and framework of normality.

The listing of other features is realistic. While the theory would classify the factors into several logical categories, the list supported by top manager offer a variety of features that are mixed in the priorities and directions. Concluding, top managers believe strategic thinking capability is realized only on the level of firms. If they are not supported by technical background and experiences, it is highly impossible to be successful. The bottom-line is the capability of the technical processes in the firm. Without them strategic management does not have much success in the firm. The abilities that top managers utilized most frequently are; hypothesis generating about the options and possible solutions and grasping the complexity out of the situation and problem in a short period of time. Top manager regard prioritizing between short and long-term goals as one of the important goals. They try to avoid changes as much as possible and follow the advices in strategic management literature. Top managers recognizably neglect intuition as the least appreciated feature of strategic thinking. Once again, as previously mentioned, they do not decide upon their sixth sense or intuition, rather the more formal and analytical mode.

Each individual has its own model of behavior, mode of thinking, and way of leading. Each top manager has its own combination of strategic thinking features that make his way of leading and strategic thinking unique. **The hypothesis 1.2 is accepted** while there could be depicted a specific way of strategic thinking of Croatian top managers. It is impossible to assume that one feature is the only substance of strategic thinking capability and therefore the task should be to search for a combination of features that is most utilized.

Hypothesis 1.3: *The employment of specific strategic thinking features can be brought into relation with contingency factors.*

There are a number of significant relations between specific strategic thinking features and contingency factors. All the relations have been tested with Levene's test of homogeneity of variances and proved not to be significant, meaning that the assumption is proved and the variances could be assumed as equal (Leech et.al., 2005, p.139).

The Table 7 presents the relations between the premises and contingency factors. All the relations are significant at the level $p < 0.05$, and the marked relations are significant at the level $p < 0.01$. Each of the construct had premises that related to some contingency factors. The numerous significant results are like small pieces of puzzles of the big picture of strategic thinking capabilities. The comment on separate significant relations and strategic thinking constructs is considered of a less value than grouping the same influences according to common factor in order to reach more elaborated and bigger piece of the puzzle. There are contingency factors that concern firm and top manager.

Table 7: Relations between the premises and contingency factors

Premises*	Contingency factors						
	Firm				Top manager		
	Ownership	Tradition	Orientation	Influence	Years as Top manager	Exercise strategic thinking	Education
Asystem1							F _(2,119) = 3.083
Asystem2				F _(2,114) = 3.249			
Asystem4				F _(5,121) = 3.327			
Bhypo5	F _(2,124) = 3.534						
Bhypo6				F _(5,121) = 3.975		F _(2,121) = 3.593	
Bhypo7				F _(5,121) = 3.414		F _(3,122) = 2.928	
Bhypo8	F _(2,124) = 4.437						
Cfocus9	F _(2,122) = 3.492	F _(4,122) = 3.047		F _(5,121) = 6.845**			
Cfocus11	F _(2,122) = 4.401						
Dtime13	F _(2,122) = 5.997			F _(5,121) = 3.212			
Dtime15	F _(2,122) = 10.150**			F _(5,121) = 2.687			
Dtime16		F _(2,121) = 6.711					
Eprofcom17			F _(1,121) = 8.059	F _(5,121) = 3.270			
Eprofcom20			F _(2,124) = 3.807				
Fconflex24			F _(1,121) = 4.548				
Fconflex26	F _(2,124) = 4.485						
Fconflex27		F _(2,121) = 3.346					
Fconflex28	F _(2,121) = 3.346						
Gfuture31	F _(2,122) = 5.758						
Gfuture32						F _(2,121) = 3.285	
Gfuture33					F _(1,122) = 5.126		
Hpolsens34			F _(1,121) = 4.334				
Hpolsens36			F _(1,121) = 4.875				
Hpolsens37	F _(2,122) = 5.262						
Intuit40					F _(4,122) = 6.217**		
Jparadox41						F _(2,121) = 3.515	
Jparadox42						F _(2,121) = 8.884	
Jparadox44							F _(4,122) = 3.436

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

** Significant relation at the level p<0.01

Ownership= private, state, combination; Tradition = firm is in business: less than three years, 4-10 years, 11-30 years, more than 31 years; Orientation = producing or service delivering firms, Influence= who influence the most when deciding on the strategic issues; market, knowledge, past, crisis, tradition, top managers (themselves), owners, politics, middle managers; Years as top manager= how long has top manager been working on the current position: less than a year, between 2-5 years, between 6-10, more than 11 years; Exercise strategic thinking= how much time top manager devote to thinking about the future of the firm; daily, few days a week, few hours a month; Education= educational background can be: high school degree, college degree, faculty degree, master or PhD degree.

Source: Empirical data

The contingency factors that concern firms are ownership, tradition, and orientation. Strategic thinking of top managers in the **state owned** firms is based on several characteristics. In those firms, top managers sometimes allow compromises contrary to the set goals.

Time of top managers is devoted to correcting mistakes done in the past. They personally follow the politically sensitive situations in the firm. When faced contradictory results their strategic decisions are blocked for a while. They have a constant pressure from owners and the board. Top managers in the state owned firms feel that their future does not depend on them rather on others and do not regard their office atmosphere as optimistic one. In the **private owned** firms top manager feel the optimistic atmosphere in the office. They do not do compromises contrary to their goals, do not devote time correcting the mistakes from the past, and believe that their future depend on them. They do not allow contradictory results of the analysis to block the strategic decisions.

The firm's **tradition** is important to recognize. The top managers' strategic thinking in the firm operation shorter than three years on the market is characterized as optimistic atmosphere. Top managers, that work more than ten years on the market, confess to be more reactive than proactive.

Orientation means whether the firm has been producing product or delivering services. The top managers in the firms that deliver **services** promote differences in opinion between employees. Top managers learn from the strategic management literature and are confidently capable of making the distinction between the tactical and strategic activities. Top managers are interested in the wider socio-political arena that strongly influenced their business. In some cases, they are willing to follow the political advices instead of the economical logic within the firm. On the other hand top managers in the **producing** firm do not promote differences in opinions, they do not seem to regard strategic management as important source of information for their business and have lower capability to separate tactical and strategic activities. Top managers are not interested in wider socio-political arena but they are not willing to follow the political advices that would be contrary to the economical logic of their firm.

The contingency factors that concern top managers are influence, years as top manager, exercise strategic thinking, and education. Depending on **the influences on strategic decisions**, top manager behaves differently. If **market, knowledge, or owners** influence top managers they consider themselves responsible for the mistakes they did, try to correct them and learn from them. Top managers put a large emphasis on the processes as the main underlying way to manage and control the firm. Scenario method is one of the methods they use while working on strategy. Top manager are willing to test commonly agreed facts and not accept them as the axiom in running the business. The atmosphere in such firms is optimistic and top managers show capability in distinguishing between tactical and strategic activities. On the other hand, top managers working in the firms influenced by **politics and middle managers** do not recognize their own mistakes. While the strategic directions came from outside they are not motivated to formulate strategy according to the given directions and do not feel guilty if something goes wrong in the implementation process. While the direction given to the top managers are not stable, they cannot focus on the processes or scenario method. There is no point in testing the commonly agreed facts and therefore the atmosphere is contrary to optimistic. Rather they are concentrating on correcting the mistakes from the past. The result is that top managers do not believe in their own capabilities as top manager and as the firm on the market. Their future is in the hand of others, and they concentrate on their status and powerful position.

Top managers with more than five **years of experience** as top manager have the ability to realize the connections between the illogical features. Top manager needs five years in order to introduce the mission, vision, and strategy to the employees.

The following differences are based on the **frequency of the exercises of strategic thinking capability**. If top manager exercise strategic thinking capability every day they are using scenarios, have time to test commonly agreed facts, use experience in taking strategic decisions and need short period of time to realize the complexity of problem. When exercised every day top managers can really develop strategic thinking capability. When utilize occasionally it brings to the surface more problems, it is harder to perform and does not directly correlate to the better performance. Top managers, which experience strategic thinking on a monthly rhythm, face the problem with departments concentrated only on their performance.

Top managers that have **high school diploma** do not seem to appreciate different point of views from other people and devote more time accomplishing the goals of the department. Top managers with **faculty degree** or higher, concentrate more on the systemic goal rather than departmental.

The hypothesis 1.3 is accepted while there are a number of premises that have significant relation with a number of contingency factors.

Hypothesis 1.4: *It is possible to prove the relation between the employment of specific strategic thinking features and some of the strategic management schools.*

This hypothesis generated relation analysis between premises of specific strategic thinking features and three constructs of strategic management schools that was loaded as distinctive schools of strategic management. It was not taken into analysis the theoretical and assumed schools of strategic management but rather the factor generated ones.

The schools of strategic management are an attempt to describe the possibility of gathering groups of top managers that have similar thoughts and attitude, values and approaches toward process of strategic management. Underlying thoughts and attitudes, values and approaches is strategic thinking, actually features of strategic thinking. The relation between strategic thinking features and strategic management schools would imply that way of thinking is actually the base of some attitudes. If we train the way we think, we can alternate the attitudes and opinion of top managers and therefore the way process of strategic management would be formulated, implemented, and controlled. Consequently, the direction of firm is changed and the future of the large Croatian companies might be redirected toward the new direction. The following are found to be significant relations between features of strategic thinking and schools of strategic management. All the stated relations are statistically significant and their variances proved to have homogeneity of variances. Table 8 presents the statistically significant relations at the $p < 0.05$, and if the relation is marked, the significance is at the $p < 0.01$.

Table 8: Relations between the strategic thinking premises and schools of strategic management

Premises*	School of strategic management		
	Classical	Environmental	Competitive-Contemporary
A _{system4}	$F_{(1,124)} = 15.947^{**}$		$F_{(4,122)} = 5.224$
B _{hypo6}	$F_{(1,123)} = 8.647$		$F_{(1,123)} = 13.462^{**}$
C _{focus9}			$F_{(4,122)} = 8.424^{**}$
D _{time14}	$F_{(1,124)} = 11.298$		
D _{time15}		$F_{(4,122)} = 12.205^{**}$	
E _{profcom19}	$F_{(1,123)} = 4.516$		
E _{profcom20}	$F_{(1,123)} = 6.150$		
E _{profcom21}	$F_{(1,123)} = 5.178$		
F _{conflex28}		$F_{(4,122)} = 5.406^{**}$	
H _{polsens34}		$F_{(4,122)} = 4.952$	
H _{polsens35}		$F_{(4,122)} = 4.202$	
I _{ntuit38}		$F_{(4,122)} = 3.136$	
I _{ntuit39}		$F_{(4,122)} = 5.118$	

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

** Significant at the level $p < 0.01$

Source: Empirical data

When looking the relations between premises of the strategic thinking and schools of strategic management there are some connections that could explain the roots of establishment of schools of strategic management. Top manager that agree with the **classical school of strategic management** have a certain relations with the strategic thinking capabilities. Those top managers emphasis processes and use scenario methods. Top managers find time, which they devote to thinking about the future of their firm. They understand the technical processes in their firms follow the literature of strategic management and try to implement some advices from the literature.

Premises of supporting processes and scenario use are common for the both classical and **competitive-contemporary school** of strategic management. Addition to that, competitive-contemporary school of strategic management has the relation to the optimistic atmosphere in the firm.

Top manager that choose **environmental school of strategic management** have a different point of view. He/she believes that the future depend on others and not on them, likes to change the plan often under the pressure of the owner and board. Sometimes they follow the political advices although they seem to be contrary to the economical logic of the business. They think that strategy depends on the strength of the parties within the firm and when taking strategic decision they follow their intuition or sixth sense.

Hypothesis 1.4 is accepted while it is possible to prove the numerous relations between the employment of specific strategic thinking features and some of the strategic management schools.

Hypothesis 1.5: Firms that are more successful employ certain specific features of strategic thinking more often than the less successful firms.

The analysis of one-way ANOVA proved significant relations between the more successful and less successful firms and some of the strategic thinking premises. More or less successful firms, that have positive or negative values in ROE and ROA, agree or disagree in the significantly larger scale with the premise from the following constructs: time, professional capabilities,

conceptual flexibility, future, and paradox. Table 9 presents the statistically significant relations at the $p < 0.05$.

Table 9: Relations between the strategic thinking premises and financial results

Premises*	Financial result
Dtime13	$F_{(1,124)} = 7.989$
Fconflex24	$F_{(3,123)} = 4.740$
Fconflex25	$F_{(1,124)} = 9.073$
Fconflex26	$F_{(4,122)} = 2.492$
Jparadox45	$F_{(4,122)} = 2.964$

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

Looking at the relations one might conclude that firms that are more successful are the ones that do not have the burden of correcting mistakes from the past. They are focused on present moment and future, not the past. Top managers in the successful firms treat subordinates as partners and let them develop conversations, discussions, and decisions based on different viewpoints. He/she is very confident about the correctness of the information upon which he/she is basing strategic decisions. While the large firms are complex, organizational system top managers try to avoid surprises in planning and business in general. The decisions do not change, while top manager in the more successful firm has the stamina not to change his/her mind and decision upon the colleagues' request.

Hypothesis 1.5 is accepted while that firms that are successful are more prone to some specific features of strategic thinking than the firms that are less successful.

Hypothesis 1.6: Combination of strategic thinking features, if employed simultaneously, result in the way the top managers compose their own strategic thinking.

This hypothesis is going to be tested with internal reliability of the construct of strategic thinking and all the constructs of features of strategic thinking. According to the empirical data there is going to be shown the factor loading in the analysis. This would be a suggestion how to form the empirical strategic thinking construct.

Table 10 is presenting values of Cronbach alfa for all premises and each of the constructs, and the construct of strategic thinking as a whole. The data shown as *Cronbach's Alpha if Item Deleted* is shown with the premises of the construct, while the construct is represented with value of Cronbach alfa only. Premises; Gfuture30, Hpolsens35 were taken out of the analysis while they did not contribute to the reliability of their constructs. They were eliminated from the further analysis. Some of the construct would improve their reliability in case of omitting some of the premises from the construct. I analyzed each situation separately and concluded that the construct might get better value of Cronbach's alfa. In that case, the construct as such would suffer on content or number of premises in the constructs. This was the reason why while some of the Cronbach's alfa of the construct is lower than in case of omitting some premises in the construct. Values of the Cronbach alfa for the separate premises are low, but as the whole, the reliability of construct is holding very well with the Cronbach alpha value of 0,884. The high value of reliability shows that strategic thinking is tested with the reliable scale. The separate constructs

should not be detailed but rather representing just several features of strategic thinking. This conclusion would be valuable input for the further research.

Table 10: Reliability test for strategic thinking construct

The strategic thinking premises*	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	The strategic thinking premises	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
Asystem+Bhypo		.672	Fconflex		.540
Asystem1	.655		Fconflex23	.551	
Asystem2	.668		Fconflex24	.500	
Asystem3	.677		Fconflex25	.486	
Asystem4	.643		Fconflex26	.512	
Bhypo5	.626		Fconflex27	.465	
Bhypo6	.618		Fconflex28	.434	
Bhypo7	.604		Gfuture		.603
Bhypo8	.631		Gfuture29	.448	
Cfocus		.612	Gfuture31	.650	
Cfocus9	.669		Gfuture33	.420	
Cfocus10	.315		Gfuture32	.597	
Cfocus11	.592		Hpolsens		.510
Cfocus12	.505		Hpolsens34	.591	
Dtime		.601	Hpolsens36	.225	
Dtime13	.601		Hpolsens37	.363	
Dtime14	.463		Intuit		.639
Dtime15	.488		Intuit38	.500	
Dtime16	.556		Intuit39	.306	
Eprofcom		.747	Intuit40	.722	
Eprofcom17	.742		Jparadox		.607
Eprofcom18	.746		Jparadox41	.572	
Eprofcom19	.735		Jparadox42	.543	
Eprofcom20	.677		Jparadox43	.557	
Eprofcom21	.682		Jparadox44	.608	
Eprofcom22	.673		Jparadox45	.574	
			Jparadox46	.573	
			Jparadox47	.564	
			Jparadox48	.599	
Continue on the next page					

Continue		
The strategic thinking construct	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
Asystem1	.881	
Asystem2	.882	
Asystem3	.883	
Asystem4	.880	
Bhypo5	.882	
Bhypo6	.880	
Bhypo7	.880	
Bhypo8	.882	
Cfocus9	.884	
Cfocus10	.881	
Cfocus11	.881	
Cfocus12	.882	
Dtime13	.882	
Dtime14	.883	
Dtime15	.883	
Dtime16	.882	
Eprofcom17	.881	
Eprofcom18	.882	
Eprofcom19	.880	
Eprofcom20	.880	
Eprofcom21	.880	
Eprofcom22	.880	
Fconflex23	.883	
Fconflex24	.881	
Fconflex25	.882	
Fconflex26	.880	
Fconflex27	.880	
Fconflex28	.880	
Gfuture29	.880	
Gfuture31	.882	
Gfuture32	.884	
Gfuture33	.882	
Hpolsens34	.882	
Hpolsens36	.880	
Hpolsens37	.881	
Intuit38	.881	
Intuit39	.881	
Intuit40	.881	
Jparadox41	.879	
Jparadox42	.879	
Jparadox43	.881	
Jparadox44	.884	
Jparadox45	.884	
Jparadox46	.884	
Jparadox47	.883	
Jparadox48	.883	
Jparadox47	.883	
Jparadox48	.883	
The strategic thinking construct		.884

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

Out of the original ten constructs of strategic thinking features, the factor analysis generated six constructs with the significant Bartlett's test of sphericity. The measure of the internal reliability, Cronbach alfa, seems to be on the lower level of acceptance. Reliability is a necessary, but not sufficient condition for a measure to have validity (Peter 1979). The dominant estimator of reliability despite calls for its replacement (Finn, Kayande, 1997) continues to be coefficient alpha.

Cronbach alfa measures consistency among the individual items in a scale. It is not a statistical test; rather a coefficient or reliability and therefore the level of acceptance could be interpreted in a variety of ways (Cortina, 1993, Cronbach, 1951, Nunnally, 1967, Peterson, 1994, Voss et al., 2000). Cronbach alfa is recommended to be above 0.7, but not much higher than 0.9 (Nunnally, 1994) as the classical criteria for internal reliability acceptance requirement (for different level of recommended reliability levels see at Peterson, 1994, p. 382). The level of acceptance in the cognitive and psychometric testing is 0.75 or 0.80. Even between fields of psychology, the level of Cronbach alfa depends on the type of study. For example, cognitive tests (tests of intelligence or achievement) tend to be more reliable (above 0.8) than tests of attitude or personality (in cut-off point of 0.7 is more suitable). Other social sciences level is usually set at 0.7. The logic behind the level of 0.7 is the thinking that at that level the standard error of measurement will be over half (0.55) a standard deviation (Nunnally, 1967, pp. 201-203, Thorndike, Hagen, 1977, p. 87). Some put the limit as low as 0.60 in case of the explanatory study (Kline, 1999). The general attitude about strategic thinking was a challenge to measure and harder to create a construct. The acceptance level depends on the purpose of the test (explanatory or applied) or measure in question (Swales, McIntyre- Bhatti, 2002, p. 530).

As reported in Peterson (Peterson, 1994, p.381), Nunnally changed his reliability recommendations from his 1967 edition of *Psychometric Theory* in his 1978 edition. In 1967, he recommended that a minimally acceptable reliability for preliminary research should be in the range of 0.5 to 0.6, whereas in 1978 he increased the recommended level to 0.7 (without explanation).

Values higher than 0.9 could suggest a high level of item redundancy, meaning that there are a number of items asking the same question in a slightly different ways (Streiner, Norman, 2003, pp. 64-65). The values beneath the level of 0.7 should not be disregarded automatically due to the several reasons.

One reason for Cronbach alfa to be deflated is the fact that the construct measures several different ideas or different attributes/dimensions rather than one (Swales, McIntyre- Bhatti, 2002, p. 531), and the correlations among items are weak or not present at all. Cronbach alfa measures how well their items measure a single one-dimensional latent construct. Therefore it is suggested to run a factor analysis and group the items within the same dimension and run the test of reliability ones again (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

The second reason could be small number of items in the scale (Cortina, 1993, Field, 2005), especially below seven (McKennell, 1978, p.242 cited in Swales, McIntyre-Bhatti, 2002, p. 530). Research performed by several researchers (Churchill, Peter, 1984; Bruner, Hensel, 1993; Peterson, 1994) proved the positive relationship between scale length (the number of items included in a scale) and the reliability of the scale. This was based on the idea that the wider are the scales, the greater are the variances, and therefore the alpha is increased. One interesting point is that scales with a central point (five or seven points) tend to generate higher alphas than those

with four, like in this case) or six points (Voss et.al. 2000). It is not certain whether odd-width scales artificially inflate coefficient alpha or whether even-width scales artificially depress coefficient alpha (Voss, Stem, Fotopoulos, 2000, p. 190).

In judging reliability with coefficient alpha, researchers and reviewers should consider the degree of response centrality, the scale's length, the degree of construct validity, and the normality of response distribution (Voss, Stem, Fotopoulos, 2000, p. 189).

In addition to the reliability instruments like Cronbach alfa discussion there is a need to point a few words about the validity of the empirical research. The validity testing of both construct validity and face validity was performed. The more traditional validity tests like content, convergent and discriminant validity were not performed deliberately. The underlying idea is to critically overview the value that validity testing has on the empirical research. The social sciences extended from prediction of facts to the interpretation of meaning and thus the criteria and forms of validation changed (Kvale, 1995, p. 5). There is a need to find a balance between the level and scope of validity measurement and research question itself. There is always the idea that validation is based on a logic of uncertainty and of qualitative probability, it is always possible to argue for or against an interpretation, to confront interpretations and to arbitrate between them (Ricoeur, 1971 cited in Kvale, 1995, p.9). The more researchers validates, the greater is the need for further validation. Thus it is important to find appropriate balance between the methodologically needed measures of scientific contributions by objectively testing assumptions and the measurement that become the focus of the research instead of the hypothesis being researched. The pattern matrix in the table 11 shows the loadings of the separate premises with the comment of the methods and results.

Table 11: Pattern matrix of strategic thinking

Premise*	Component					
	1	2	3	4	5	6
Asystem1			.344			-.414
Asystem2	.313					
Asystem3				.564		
Asystem4	.323					-.387
Bhypo5	.654					
Bhypo6	.463					
Bhypo7	.661					
Bhypo8	.430					
Cfocus9			.594			
Cfocus10			.719			
Cfocus11		.520	.303			
Cfocus12			.535			.388
Dtime13		.478				
Dtime14		.619				
Dtime15		.639				
Dtime16		.467				
Eprofcom17	.371					
	Continue on the next page					

Continue	Components					
	1	2	3	4	5	6
Eprofcom17	.371					
Eprofcom18	.515					-.336
Eprofcom19			.386			
Eprofcom20	.583					
Eprofcom21	.657					
Eprofcom22	.604					
Fconflex23				.440		
Fconflex24		.308				
Fconflex25				.460		
Fconflex26						-.395
Fconflex27			.507			
Fconflex28		.504				
Gfuture29						-.655
Gfuture31				.526		
Gfuture32				.571		
Gfuture33			.301			-.569
Hpolsens34		.470				
Hpolsens36	.372			.335		
Hpolsens37						-.435
Intuit38				.486		-.352
Intuit39		.488		.369		-.514
Intuit40		.430				-.389
Jparadox41		.325	.433			
Jparadox42			.491			
Jparadox43			.485			
Jparadox44					.461	
Jparadox45					.655	
Jparadox46				.435	.537	
Jparadox47					.566	
Jparadox48				.393		

N= 127. Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalization. Rotation converged in 51 iterations. Suppressed values less than 0.30. Bartlett's test of sphericity satisfied criteria for statistical significance (approx. chi-square of 2228,908; df=1035, sig. 0.000). Kaiser-Meyer-Olkin measure of sampling adequacy is 0.726. Variance explained: 43.482%.

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

When grouped in the separate constructs the table 12 presents the premises from each of the constructs and their factor loadings.

Table 12: List of factor loadings and premises for each construct

1st Construct

Nr.	Factor loading	Construct*	Premise
2.	0.30	Asystem	Top management is responsible for 85% mistakes in the firm.
5.	0.65	Bhypo	I put the question «if problem occurs, what are we going to do?» and try to work on the solution.
6.	0.46	Bhypo	When planning, we work on several possible scenarios.
7.	0.66	Bhypo	I often question the logic of commonly agreed facts.
8.	0,43	Bhypo	When taking decision, I try to think about the worst and the best possible option.
18.	0.515	Eprofcom	I reserve time for making the plans about the future orientation of the firm.
17.	0.371	Eprofcom	I consciously separate operative and strategic activities.
20.	0,583	Eprofcom	I follow/keep up with the literature about the management and leadership.
21.	0.657	Eprofcom	I try to implement some of the advices from the literature.
22.	0.604	Eprofcom	I enhance my knowledge about firm's strategic management.

2nd Construct

Nr.	Factor loading	Construct	Premise
11.	0.52	Cfocus	Sometimes the compromise we are forced to do contradicts our goal.
13.	0.47	Dtime	In the past, there have been many mistakes, which we try to correct now.
14.	0.61	Dtime	I devote more of my time to current problems than strategic decisions and plans.
15.	0.63	Dtime	Our future depends on others, not on us.
16.	0.46	Dtime	I react more than I do proactive activities.
24.	0.30	Fconflex	I boost, develop, and support differences in views of subordinates in the firm.
28.	0.5	Fconflex	The owners and board of directors create a pressure for achieving results.
34.	0.47	Hpolsens	Sometimes it is wiser to comply with the <i>advices</i> of political power outside the firm than logics of business within the firm.

3rd Construct

Nr.	Factor loading	Construct	Premise
10.	0.719	Cfocus	Our strategy is similar to the strategy of our competitors.
9.	0.59	Cfocus	There is an optimistic atmosphere within the firm.
12.	0.53	Cfocus	Missions and visions are alike, so does ours.
19.	0.38	Eprofcom	I am well informed and comprehend technical processes in the firm.
27.	0.50	Fconflex	Facing obstacle, I switch to alternative plan.
42.	0.49	Jparadox	I need a short time to comprehend complexity of problem we face.
43.	0.48	Jparadox	If there are two opposing opinions, I decide which one is the most realistic option.

4th Construct

Nr.	Factor loading	Construct	Premise
3.	0.56	Asystem	There are disputes and misunderstandings between the departments in the firm.
23.	0.44	Fconflex	A change in the companies' plans occurs very often.
25.	0.46	Fconflex	I am aware that I decide upon just few pieces of information that might be imperfect.
31.	0.526	Gfuture	Contradictory results of analysis do not block the strategic decisions.
32.	0.571	Gfuture	Departments in the firm concentrate their efforts on themselves and not on overall firm.
48.	0.393	Jparadox	Disequilibrium and instability is not pleasant and I try to either avoid or ignore it.

5th Construct

Nr.	Factor loading	Construct	Premise
45.	0.65	Jparadox	Due to the colleagues' influence, I sometimes change the decision.
44.	0.461	Jparadox	Different attitudes and opinions bring higher quality solutions.
47.	0.566	Jparadox	I am able to prioritize resolving between long and short-term problems.

6th Construct

Nr.	Factor loading	Construct	Premise
26.	-0.395	Fconflex	I do everything in my power in order to avoid surprises in planning and business in general.
29.	-0.655	Gfuture	I have a clear vision of this firm.
33.	-0.569	Gfuture	Employees are familiar with the firm's mission, vision, and strategy.
37.	-0.435	Hpolsens	I personally involve in politically sensitive situations in the firm.

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

Table 13: Reliability of constructs after factor analysis

Constructs*	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
Construct 1		0.778
Asystem2	.785	
Bhypo5	.759	
Bhypo6	.760	
Bhypo7	.750	
Bhypo8	.766	
Eprofcom18	.759	
Eprofcom17	.767	
Eprofcom20	.752	
Eprofcom21	.748	
Eprofcom22	.749	
Construct 2		0.712
Cfocus11	.688	
Dtime13	.696	
Dtime14	.669	
Dtime15	.650	
Dtime16	.686	
Fconflex24	.715	
Fconflex28	.672	
Hpolsens34	.690	
Construct 3		0.736
Cfocus10	.688	
Cfocus9	.731	
Cfocus12	.722	
Eprofcom19	.704	
Fconflex27	.698	
Jparadox42	.683	
Jparadox43	.708	
Construct 4		0.617
Asystem3	.525	
Fconflex23	.607	
Fconflex25	.566	
Gfuture31	.601	
Gfuture32	.506	
Jparadox48	.621	
Construct 5		0.353
Jparadox45	.376	
Jparadox44	.334	
Jparadox47	.101	
Construct 6		0.676
Fconflex26	.628	
Gfuture29	.547	
Gfuture33	.563	
Hpolsens37	.708	

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

There was dirtiness in the factors Asystem1, Asystem4, Hpolsens36, Intuit38, Intuit39, Intuit40, Jparadox41, Jparadox46. They are excluded from analysis. The reliability test after performing factor analysis is given in the Table 13. The constructs 1, 2 and 3 are taken further down to analysis. The reliability of constructs 4, 5 and 6 were too low to consider them for further tests. The research in the future should take into consideration the explanation and further analysis of these construct.

Strategic constructs 1, 2, and 3 form a typology of strategic thinking features that could be depicted from Croatian top managers. When taken apart from the rest of other statements there should be a further factor analysis in order to make the pattern matrix more clean and direct. The Table 14 forms the pattern matrix of the three constructs. In the further analysis, I used only factor score of three of the constructs for further analysis. The final test of reliability of the factor analysis of three factors is provided in the table too. The last row presents the descriptive of the constructs.

Table 14: Pattern matrix of three constructs

Premise	Component		
	1	2	3
Eprofcom22	.699		
Eprofcom18	.668		
Eprofcom20	.665		
Eprofcom21	.638		
Bhypo5	.624		
Bhypo7	.596		
Bhypo8	.504		
Bhypo6	.497		
Eprofcom17	.402		
Fconflex24	.374		
Dtime14		.743	
Dtime15		.739	
Dtime16		.567	
Fconflex28		.555	
Dtime13		.553	
Hpolsens34		.496	
Cfocus11		.417	
Cfocus12			-.731
Cfocus10			-.721
Fconflex27			-.602
Jparadox43			-.535
Jparadox42			-.474
Number of premises	10	7	5
Cronbach alfa	0.792	0.715	0.697
Sum	396.10	320.71	358.40
Mean	3.1189	2.5253	2.8220
Std.Deviation	0.47854	0.54795	0.58186
Variance	0.229	0.300	0.339

N=127. Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalization. Rotation converged in 8 iterations. Supressed values les than 0.30. Bartlett's Test of Sphericity; approx. chi-square of 755.723; df= 231; sig. 0.000. Kaiser-Meyer-Olkin Measure of Sampling Adequacy: 0.745. Variance explained: 40.17%. * For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

The first construct consists of the premises of professional competency, hypothesis generating and system view premise. This construct could be called **HEAR**. It is the acronym of the four distinctive characteristic of strategic thinker. A letter A stands for **agnosticism**, while top manager does not accept anything as presented, given or directed. He/she has doubts; test the commonly agreed facts setting the new borders and therefore new rules. He/she does not recognize the limits of the environment, industry or normality- he/she wants to have a window open. A letter R stands for **responsibility** while top manager regards himself or herself responsible for 85 % of the mistake sin the firm, taking the responsibility for both mistakes and success. A letter H stands for the abilities of manager to develop and test the **hypotheses** by asking *what if ... then* questions and thinking about the best and worst thinks that might happen. A letter E stands for the **expertise** while this top manager applies the knowledge of strategic management follows the literature not only from strategic management but also from leadership and management. He/she uses scenario method, organizes, and finds time to devote to strategic thinking and strategic planning.

The second construct consists of premises of time, conceptual flexibility, political sensitivity, and focus. The name of the second construct could be **FIRM**. A letter F would stand for a top manager that is **fixing problems** from the past and correcting them, while devoting time for the current problems and not strategic issues. A letter I stand for the **introspective** top manager that does not like to be exposed or lead, rather receives the directions and instruction from owners, politics or middle manager. A letter R stands for the **reaction** of the top manager as his main characteristic. A letter M stands for **melancholy**, while this word best describe type of character of top manager.

The third construct consist of the premises of focus, paradox, conceptual flexibility and professional capability. The acronym of the third construct is **PORT**. A letter P stands for the **perception** while top manager perceives the complexity of situation in a short period. A letter O stands for **optimistic** atmosphere in the firm. A letter R stands for the **resemblance** among the missions and strategies of different firms. A letter T stands for the **technical ability** that top manager needs to have.

The following three constructs (constructs 4,5, and 6 from Table 12 and Table 13) are contributing the factor loading with considerably smaller amount of variances explained and have a small number of premises creating that construct. Therefore, they have been excluded from further analysis. They offer just a glance of the strategic thinking capability that cannot presented as the constructs. The final factor analysis has reloaded the factor scores that will be used in the further analysis (Table 14). These three constructs have been taken for the further testing.

The hypothesis 1.6 is accepted while there is possible to depict three modes of strategic thinking of Croatian top managers.

4.2. Hypothesis about Strategic Management Schools

There are six hypotheses about strategic management school, listed in a following order.

Hypothesis 2.1: *The way of perceiving the process of strategic management can be presented by four schools of strategic management.*

The reliability was tested by internal reliability test. The test of reliability is presented in the Table 15. The Cronbach alpha for the construct of classical school of strategic management was 0.776, which is considered on the level of acceptance. The environmental school of strategic management has the value of Cronbach alfa of 0.622, which is considered to be beneath the acceptance level. The both competitive and contemporary school of strategic management is 0.840 and 0.841 which a satisfactory level of internal reliability. In the construct of contemporary school of strategic management, the premise contemp88 has been excluded from the further analysis. The overall Cronbach alfa of all constructs is 0.882. The Cronbach alfa is applied to the whole construct, not on separate premises.

Table 15: Internal reliability measured by Cronbach alfa before the factor analysis

	All	Classical	Environmental	Competitive	Contemporary
Cronbach alfa	0.882	0.776	0.622	0.840	0.841

Source: Empirical data

The factor analysis performed on the premises of schools of strategic management excluding premises class 58, environ61, comp74, comp79, comp80, contem88 from further analysis. Pattern matrix in the table 16 demonstrates the loading of the factors.

Table 16: Pattern matrix of the schools of strategic management

Premise*	Component		
	ComCont	Enviro	Class
Contempor87	.798		
Contempor89	.778		
Contempor86	.718		
Contempor91	.716		
Comp82	.698		
Comp77	.687		
Comp72	.672		
Comp78	.620		
Contempor85	.602		
Comp71	.549		
Contempor90	.531		
Contempor84	.527		
Comp75	.517		
Comp81	.495		
Comp83	.478		
Comp73	.478		
	Continue on the next page		

Continue			
Premise*	Component		
	ComCont	Enviro	Class
Envir64		.703	
Envir68		.652	
Envir66		.499	
Envir63		.494	
Envir65		.454	
Envir62		.436	
Envir69		.433	
Envir67		.408	
Class49			.667
Class52			.623
Class56			.602
Envir60			.570
Class50			.569
Class55			.539
Class54			.511
Envir70			.497
Class51			.474
Class53			.433
Class57			.432
Class59			.344
Cronbach alfa (for all 0.868)	0.782	0.643	0.906
Sum	381.83	356.38	403.31
Mean	3.0066	2.8061	3.1757
Std. Deviation	.44613	.42161	.46423
Variance	.199	.178	.216

N=127. Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalization. Rotation converged in 7 iterations. Supressed values les than 0.30. Bartlett's Test of Sphericity sig. 0.000. Kaiser-Meyer-Olkin Measure of sampling adequacy: 0.788. Variance explained 38.044%.

* For the statistical purpose, the premises are coded. The list of the premises and their codes is presented in the Appendix I.

Source: Empirical data

The literature review mentions several different classifications of school of strategic management. Each of them offers one of the views of the process of strategic management and they do not exclude each other. Depending on the criteria, they offer slightly different approaches to the classifications. During the years, the researchers' classifications have been developing in their understanding adjusting the need for the practical application of the classifications. The classification of four schools of strategic management is based on the two criteria- time horizon and the role of the top manager (Jelenc, 2004). According to time horizon, there are two distinctive schools of strategic management – classical school and contemporary school of strategic management. The classical school is the foundation of the strategic management as discipline, while contemporary school gathers the ideas that emerged from the classical school and represent the modern ideas about the process of strategic management. The second criteria are the active or passive role of the top manager. If the top manager is passive, then we are

talking about the environmental school of strategic management, while if the top manager has the active role, it is the competitive school of strategic management.

The factor analysis and factor loading generated three schools of strategic management. The results show to have some similarities with the analysis performed in 2004 in Primorsko-goranska County (Jelenc, 2004). Thus, the results validated the research done in 2004 and generalized on the large firms doing business overall territory of the Republic of Croatia. There are several reasons why this theoretical classification of four schools empirically proved to be three schools of strategic management. The construct of classical, environmental and competitive-contemporary have been recognized as the distinctive schools of strategic management. The combination of the competitive and contemporary school prove to have strong interaction while top managers in the large Croatian firms perceive this two schools as genuine one school of strategic management. The ideas of active top manager and modern ideas of strategic management did not seem to have much different point of views. The theoretically set difference was the competition, which are the underlying idea of the competitive school and an unnecessary element of distraction in the contemporary school of strategic management. Top manager in Croatian large firms think of the competition as the strongest, the most effective and the most modern way of performing businesses.

The most frequently used school of strategic management is the competitive-contemporary school of strategic management, followed by classical school and the least employed school is environmental school of strategic management. From this information, we might conclude that the top managers in the Croatian large firms think according to the premises of the competitive-contemporary school of strategic management. This rang is based on the data that was calculated by plain sum and the mean of the each of the constructs. The question is whether this is the most suitable way of approaching to the process of strategic management in the Croatian economy. The construct have been put in relation to contingency factors and financial results in order to have a more insight data about the most suitable school of strategic management in Croatia.

Hypothesis 2.1 is accepted only partially. The loadings in factor analysis suggested the existence of three instead of the four schools of strategic management. The schools of strategic management could be presented by several distinctive groups of premises forming three constructs of schools of strategic management.

Hypothesis 2.2: *Firms in which the top manager perceives the process of strategic management according to the Classical school of strategic management achieve better financial results.*

Hypothesis 2.3: *Firms in which the top manager perceives the process of strategic management according to the Environmental school of strategic management achieve better financial results.*

Hypothesis 2.4: *Firms in which the top manager perceives the process of strategic management according to the Competitive school of strategic management achieve better financial results.*

Hypothesis 2.5: *Firms in which the top manager perceives the process of strategic management according to the Contemporary school of strategic management achieve better financial results.*

When performing one-way ANOVA between three constructs of strategic management schools and the variable (VAR01) there is an interesting conclusion. Variable (VAR01) denotes the positive value or negative value of the selected financial results (ROE, ROA) for firms that prioritized selected schools of strategic management. Classical and environmental school of strategic management is not related to either positive/negative value of the profit in the firm. Neither of these two schools have significant relation, but the general trend is that firms which are more successful chose classical school and avoid environmental school. The top manager that picked the environmental school of strategic management working in the firms that did not show any significant relation to financial results, but the trend is negative. The ones choosing the environmental school have lower level of financial results. Competitive-contemporary school has the significant relation ($F_{(1,125)} = 4.509$, $p < 0.05$). This means that top managers, who prioritized this school from other schools, work in the firms that are more successful than other firms. Only the top managers leading and managing according to the premises of the competitive-contemporary school of strategic management have significantly better financial results than the top managers who picked out other schools of strategic management. One might conclude that the majority of the top managers that picked the competitive-contemporary school of strategic management actually did a good choice because this choice is significantly related to the better financial results.

Concluding, the most effective for top manager to think is according to the premises of the competitive-contemporary school of strategic management, then classical school and in a much lower extent environmental school of strategic management.

Hypothesis 2.2 and Hypothesis 2.3 are not supported while there is no significant relation that will put in relation classical or environmental school of strategic management and the financial results.

Hypothesis 2.4 and 2.5 are accepted while there is a significant relation proving that top managers that prefer competitive-contemporary school of strategic management have better financial results than the top manager that prefer other schools of strategic management.

Hypothesis 2.6: *The way top managers perceive certain schools of strategic management can be explained with contingency factors.*

Top manager prefer some schools of strategic management to others. This hypothesis is tested in three parts: contingency factors that influence the selection of classical, environmental, and competitive-contemporary school of strategic management. Table 17 presents the list of significant relations.

Table 17: Relations between schools of strategic management and contingency factors

Contingency factors*	School of strategic management		
	Classical	Environmental	Competitive-Contemporary
Influence	$F_{(5,121)} = 3.372$	$F_{(5,121)} = 1.989$	$F_{(5,121)} = 6.452^{**}$
Planning Influence	$F_{(3,118)} = 2.659$		
Exercise strategic thinking	$F_{(2,121)} = 2.970$		
Education		$F_{(2,119)} = 2.607$	
Ownership		$F_{(2,122)} = 3.680$	$F_{(2,122)} = 3.541$

*Influence= who influence the most when deciding on the strategic issues; market, knowledge, past, crisis, tradition, top managers (themselves), owners, politics, middle managers; Planning influence= the most important factor in planning can be: business environment, firm's capabilities, owner's influence, competition; Exercise strategic thinking= how much time top manager devote to thinking about the future of the firm; daily, few days a week, few hours a month; Education= educational background can be: high school degree, college degree, faculty degree, master or PhD degree. Ownership= private, state, combination; ** Significant relation at the level $p < 0.01$

Source: Empirical data

When discussed in the context of the contingency factor these selection of schools of strategic management start to have more insightful meaning. Top managers that selected classical school of strategic management work in the firms where the most of the strategic decision is taken by the market, top manager or the owners. They do not regard politics or middle manager to be the most important factor in the process of strategic decisions. When top manager decides about the strategy, it is based on the impetus from the business environment, inner capability of the firm and competition and considerably less under the influence of the owner. Top manager exercises strategic thinking every day or at least several hours a week.

The top manager, that selected the environmental school of strategic management, works in the firms in which the strongest influence on the strategic issues has market and politics. Top managers think of the market and knowledge as the factors that developed the way they think about the strategy putting the politics as the least influential factor. This is contradictory to the common sense, but proves that top managers that selected environmental school actually do not like to think of politics as the factor directing them in managing. Top managers that guide according to the premises of the environmental school of strategic management have high school or college educational background and work in the state owned firms.

A top manager choosing competitive-contemporary school of strategic management works in the firms in which everything influences the strategic decisions except politics. Those firms either are in private or mix ownership.

Concluding, top managers choosing the classical school is influenced by market, top manager or owners, in the environmental school are market and politics and in the competitive-contemporary school is everything except politics. Private or mix firms are more prone to the competitive-contemporary while the state owed are more prone to the environmental school of strategic management. The other relations, with the market orientation, age of the top manager, previous experience, or similar are not significant.

Hypothesis 2.6 is supported while there are contingency factors that could explain some of the choices of preferred schools of strategic management. Contingency factors are not the period of time that top manager spent on his present position, age of the top manager, years of the firm in business, markets on which firm exhibit their products... Although these factors are accepted to

be in relation with the preference about the school of strategic management, they do not have statistically significant relation.

4.3. Hypothesis about Relations between Features of Strategic Thinking and Schools of Strategic Management

Hypothesis 3.1: *Features of strategic thinking only partially influence the formation of schools of strategic management.*

This hypothesis is slightly changed due to the results of the factor loading in the previous steps of the research. Strategic thinking capability has been presented with three distinctive constructs and not ten theoretical construct or premises that form those constructs of strategic thinking. Therefore, the corrected hypothesis 3.1 is strategic thinking constructs only partially influence the formation of schools of strategic management.

The results in table 18 and 19 present the significant relation between constructs of strategic thinking and schools of strategic management. The relation has a positive or negative trend and the regression coefficient explains the strength of that relation.

Table 18: Relations between constructs of strategic thinking and constructs of schools of strategic management

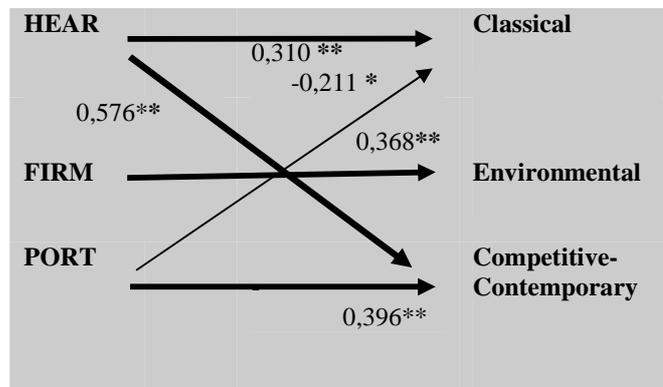
	Variables		
	HEAR	FIRM	PORT
Classical			
β	0.310	-0.124	-0.211
Adjusted R ²	0.089	0.008	0.037
F	F _(1,125) = 13.294**	F _(1,125) = 0.164	F _(1,125) = 5.844 *
Environmental			
β	0.085	0.576	-0.173
Adjusted R ²	-0.001	0.326	0.022
F	F _(1,125) = 0.906	F _(1,125) = 61.908**	F _(1,125) = 3.851†
Competitive-Contemporary			
β	0.368	-0.172	-0.396
Adjusted R ²	0.129	0.022	0.150
F	F _(1,125) = 19.616**	F _(1,125) = 3.833†	F _(1,125) = 23,197**

† p<0.10, *p<0.05, ** p<0.01

Source: Empirical data

The relation between constructs of strategic thinking features and schools of strategic management is tested with the regression analysis. The relation between the strategic thinking constructs and schools of strategic management proved to have several significant relations. This relation does not explain the cause-effect relation between them, rather the relation.

Table 19: Graphical presentation of significant relations between constructs of strategic thinking and schools of strategic management



* p < 0.05, ** p < 0.01

Source: Empirical data

The significant relation proves that HEAR, the construct of strategic thinking is positively correlated to both classical and competitive-contemporary school of strategic management. Features of of the HEAR have evolved into two different constructs. The second construct named FIRM influences only the environmental school of strategic management in a positive and significant level. There is no relation of the second construct on other schools of strategic management. The third construct named PORT influences the both classical and competitive-contemporary school of strategic management in a negative and significant level. Concluding, this would mean that each school of strategic management could be significantly related to some of the strategic thinking construct, as the base of the school.

The hypothesis 3.1 is supported while constructs of strategic thinking influence the formation of constructs of schools of strategic management. Apart from them, there are other numerous influences on the formation of schools of strategic management.

Hypothesis 3.2: *Certain features of strategic thinking influence each school of strategic management.*

The following analysis is the same as the hypothesis 1.4. and partially hypothesis 3.1. While the analysis was performed there, one might conclude that the hypothesis is identical and proved to be tested successfully.

Hypothesis 3.3: *The financially better performing firms are the ones in which the top manager is dedicated to the features of strategic thinking that are in alignment with the specific school of strategic management.*

This hypothesis has been tested in several stages. First, there is a correlation matrix between the different construct of strategic thinking and schools of strategic management. Table 20 presents the correlations.

Table 20: Correlations between the strategic thinking constructs and schools of strategic management

	Constructs	1	2	3	4	5	6
1	HEAR	-					
2	FIRM	-0.47	-				
3	PORT	-0.085	-0.073	-			
4	Classical	0.431**	-0.122	-0.297**	-		
5	Environmental	0.037	0.536**	-0.139	-0.011	-	
6	Competitive-Contemporary	0.438**	-0.140	-0.381**	0.523**	0.050	-

*p<0.05, **p<0.01

Source: Empirical data

The constructs that correlates are those constructs that are all in alignment with one another. This means that strategic thinking construct HEAR is in alignment with classical school of strategic management and competitive- contemporary school of strategic management. The second alignment is the relation between FIRM and the environmental school of strategic management. There are two more relations, but due to the negative relation, it is put in another group (PORT with classical school and competitive-contemporary school of strategic management). The number in the brackets is the number of the firms in such relation (see table 21). The relation marked with brackets is the significant relation (p<0.05).

One relation is quite strange and influences the conclusion of this hypothesis. Two firms combine construct FIRM and the Competitive-contemporary school of strategic management. At the first glance, it seems to be quite illogical relation, but after examining the accuracy of the data, I can conclude that both of the firms were in the top 20 Croatian firms and were competitive on the European market. There could be no doubt about the competitiveness of those firms. At the end of that year (2006) after filling the questionnaire both of the firms were sold to foreign firms. At that time of filling in the questionnaire, top managers were informed about the future of the firm; they could not change it and therefore behaved quite passive and disillusioned. Because there were only those two firms with quite a large ROE/ROA this was a statistical bias reflected on the results of the whole table. If this relation could be ignored in the table, the conclusion could be quite different. Due to the methodological reasons I did not deleted this relation from the table and the conclusion is based on the overall data in the Table 21.

Table 21: The average financial results of the constructs in alignment and those not in alignment or in a negative alignment for the period 2004-2006

	ROE0406 (%)	ROA0406 (%)
<u>In alignment</u>		
HEAR+ Classical (23)	-0.2961	3.1896
HEAR+ Competitive-contemporary (45)	-0.4204	2.4336
FIRM+ Environmental (7)	-0.2743	-0.8700
TOTAL (65)	-0.9908	4.7532
<u>Not in alignment or negative alignment</u>		
HEAR+Environmental (12)	1.7125	0.3417
FIRM+Classical (4)	0.7500	-2.4700
FIRM+Competitive-contemporary (2)	5.6100	6.2000
PORT+Environmental (9)	-0.0789	0.6644
PORT+Classical (4)	-1.8950	-0.6200
PORT+ Competitive-contemporary (21)	1.1020	1.8700
TOTAL (52)	7.2006	5.9861

Source: Empirical data

Hypothesis 3.3 is not supported while there are the firms in which top managers are dedicated more to the features of strategic thinking in alignment with certain school of strategic management but have worse financial results than the firms in which top manager are dedicated more to the features of strategic thinking that is not in alignment or have negative one with the school of strategic management. One crucial factor that largely contributed to this conclusion are two firms with combination of FIRM and competitive-contemporary school of strategic management. This combination has the least firms than any other combination and therefore it strongly influences their average. If the situation with those two firms were different, the whole conclusion could be drawn in different direction.

4.4. Hypothesis about Relation between Features of Strategic Thinking, Schools of Strategic Management and Financial Results of the Firm

Hypothesis 3.4: Achieving better financial results depends on the selection of specific features of strategic thinking and their usage in the decision-making process.

The table 22 presents the financial results of each of the constructs of strategic thinking. The most frequently used construct is HEAR, the second is PORT and the least used in FIRM. The most suitable constructs to be used among Croatian top managers is either HEAR if the criteria is the value of ROA or FIRM if the criteria is the value of ROE. Depending on the criteria there is a different conclusion about the most appropriate and suitable approach to strategic thinking resulting in better indicators.

Table 22: Constructs of strategic thinking and financial results

	Construct	HEAR	FIRM	PORT
Financial measures	N	80	14	33
ROA0406	Sum	186.97	-3.57	42.77
	Mean (%)	2.337	-0.255	1.296
ROE0406	Sum	-5.180	12.30	14.87
	Mean (%)	-0.064	0.878	0.450

Source: Empirical data

Hypothesis 3.4 is supported while according to different criteria there are some constructs of strategic thinking that generate better financial results and therefore are more suitable to use among top managers in Croatia.

Hypothesis 3.5: Achieving better financial results depends on the selection of specific schools of strategic management i.e. the way we perceive the process of strategic management.

The table 23 presents the financial results of each of the constructs of strategic management schools. The most frequently used construct is Competitive-Contemporary, the second is Classical school and the least used is Environmental school. The most suitable constructs to be used among Croatian top managers is either Competitive-Contemporary if the criteria is the value of ROA or Environmental school if the criteria is the value of ROE. Depending on the criteria there is a different conclusion about the most appropriate and the suitable approach to schools of strategic management.

Table 23: Constructs of strategic management schools and financial results

	Construct	Classical	Environmental	Competitive-Contemporary
Financial measures	N	31	14	33
ROA0406	Sum	61.00	3.99	161.18
	Mean (%)	1.967	0.142	2.3703
ROE0406	Sum	-11.39	17.92	15.46
	Mean (%)	-0.3674	0.6400	0.2274

Source: Empirical data

Hypothesis 3.5 is supported while according to different criteria there are some constructs of strategic thinking that generate better financial results and therefore are more suitable to use among top managers in Croatia.

Hypothesis 3.6: It is possible to suggest a model that could comprise the relations between the selection of strategic thinking features, the schools of strategic management and the financial results of a un/successful firm.

The main goal of this hypothesis is to suggest a model that could describe the relations between the strategic thinking constructs, strategic management schools and financial performance. By creating a model, it is possible to denote an impact of strategic thinking construct and strategic management schools on the financial results. Actually, both of the constructs and their mutual relations could explain a certain percentage of variances in financial results.

This hypothesis is tested by two different steps. The first step is presented in Table 24 with bivariate regression analysis of the different financial results and the constructs of strategic thinking and strategic management school.

Table 24 denotes several interesting relations. Financial results expressed by the value of ROE could be explained with several constructs. The value of Adjusted R suggests that 17.8% variances of ROE value in the period 2004-2006 can be predicted with the HEAR construct. Moreover, 10 % ROE variances can be predicted with the construct FIRM and 11.1% variances with the construct PORT and 2.3% of the variances with the environmental school of strategic management. The variances of ROA value could be explained with only 1.8% with the classical school but with the significance level of $p < 0.10$.

Because the statistically strongest results of constructs is when explaining value of ROE, this financial measure is taken for further analysis. The value of ROA is not taken further for the analysis.

Based on the data from the analysis of ROE value, there could be created integrative model of relation between constructs of strategic thinking, strategic management schools, and financial results. In a second step, there could be an explanation of the impact of the constructs of strategic thinking and strategic management schools on the performance of the Croatian entrepreneurial practice.

The next step in the analysis of the empirical data is to perform the structural equation modeling on the data. Structural equation modeling is an umbrella term covering three distinct but highly related methodologies (path analysis, structural equation modeling, and latent variable structural equations modeling). Structural equation modeling is almost never precise or unambiguous (Myers, Mullet, 2003, p. 337). It was used to depict the multidimensional relationships at the same time, as factor analysis and regression takes into account only one relation per analysis.

Table 24: Regression analyzes of financial results and construct of strategic thinking and strategic management schools

Constructs	ROE			ROA		
	β	Adjusted R ²	F	β	Adjusted R ²	F
HEAR	0.435	0.178	$F_{(1,125)} = 28.325^{**}$	0.093	0.001	$F_{(1,125)} = 1.079$
FIRM	0.327	0.100	$F_{(1,125)} = 14.964^{**}$	0.135	0.010	$F_{(1,125)} = 2.327$
PORT	-0.344	0.111	$F_{(1,125)} = 16.796^{**}$	0.064	-0.004	$F_{(1,125)} = 0.522$
Classical	-0.045	-0.006	$F_{(1,125)} = 0.255$	0.160	0.018	$F_{(1,125)} = 3.290^{\dagger}$
Environmental	0.176	0.023	$F_{(1,125)} = 3.988^*$	0.034	-0.007	$F_{(1,125)} = 0.149$
Competitive-Contemporary	0.068	-0.003	$F_{(1,125)} = 0.574$	0.141	0.012	$F_{(1,125)} = 2.527$

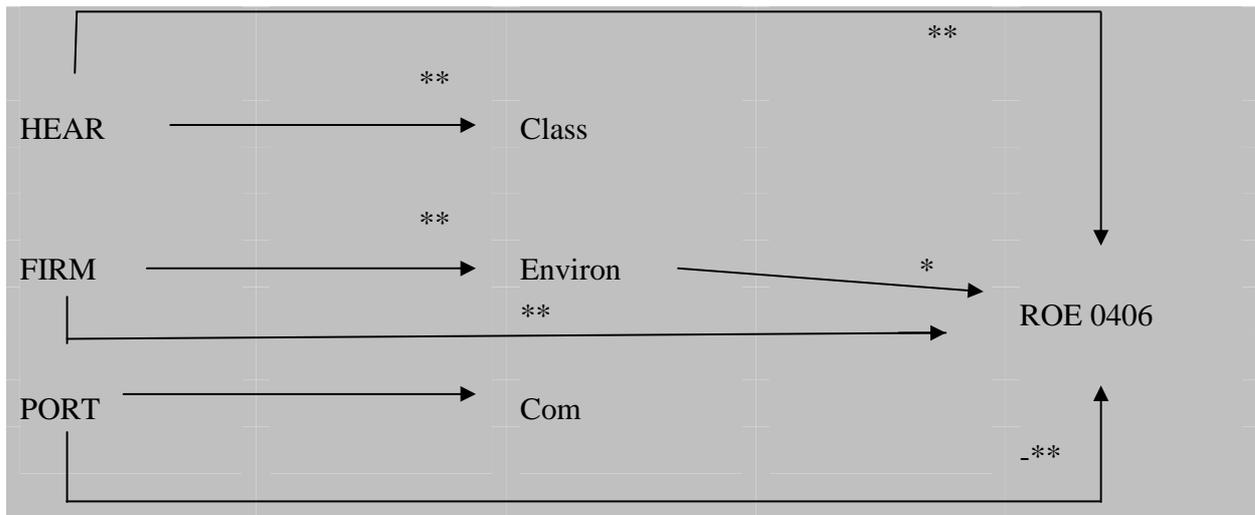
$\dagger p < 0.10$, * $p < 0.05$, ** $p < 0.01$

Source: Empirical data

The structural equation model offers the way to show how, and how much each of the independent variables or constructs causes changes in the dependent variables. Structural equation modeling is an extension of the factor analysis and multiple regression analysis offering to analyze the more than one relation at a time. Furthermore, they enable to identify and measure both direct and indirect effects (Myers, Mullet, 2003, p.322). Table 25 presents the graphical presentation of the direct and indirect effects of constructs on the value of ROE in the period 2004-2006.

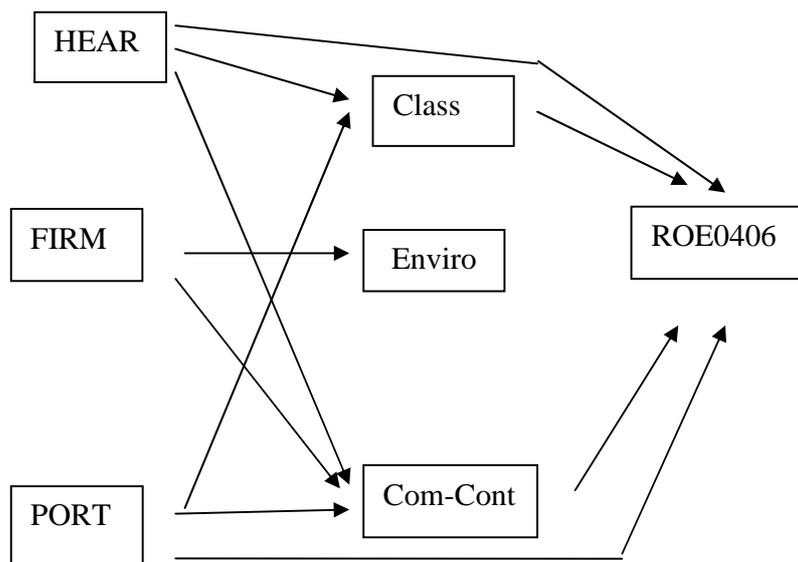
Both of the constructs of strategic thinking and schools of strategic management are measured by the multiple questions, more precisely premises. None of them is based solely on a single premise. The exogenous constructs are the constructs of strategic thinking, considered as the independent, factors determined by factors outside the model. Constructs of the school of strategic management are endogenous dependent variables of the constructs of strategic thinking. Strategic thinking and the schools of strategic management are both latent variables. The manifest variables are the three constructs for the both strategic thinking and the school of strategic management that has been obtained from the factor score Likert scale answers. The performance could be considered the latent variable.

Table 25: Direct and indirect effects of the constructs and value of ROE



Source: Empirical data

Picture 8: Theoretical model of the impact of strategic thinking construct and the schools of strategic management construct on the performance (ROE)



Source: The author

The identification of the major constructs (strategic thinking constructs and schools of strategic management) has been developed. Each of the constructs has three distinctive constructs that have been evolved as the results of the factor analysis. The initial structure-theoretical of the model has been suggested in the Picture 8. The theoretically suggested model was based on the previously empirically analyzed and discussed relations between the constructs of strategic thinking, schools of strategic management, and the measures of the performance.

The data in the Picture 9 presents the empirically best-fit model according to the top managers' responses when taken into account the ROE in the period 2004-2006. The fit measures for this model are: chi-square=22.42, d.f.=10, $p < 0.05$, RMSEA=0.100.

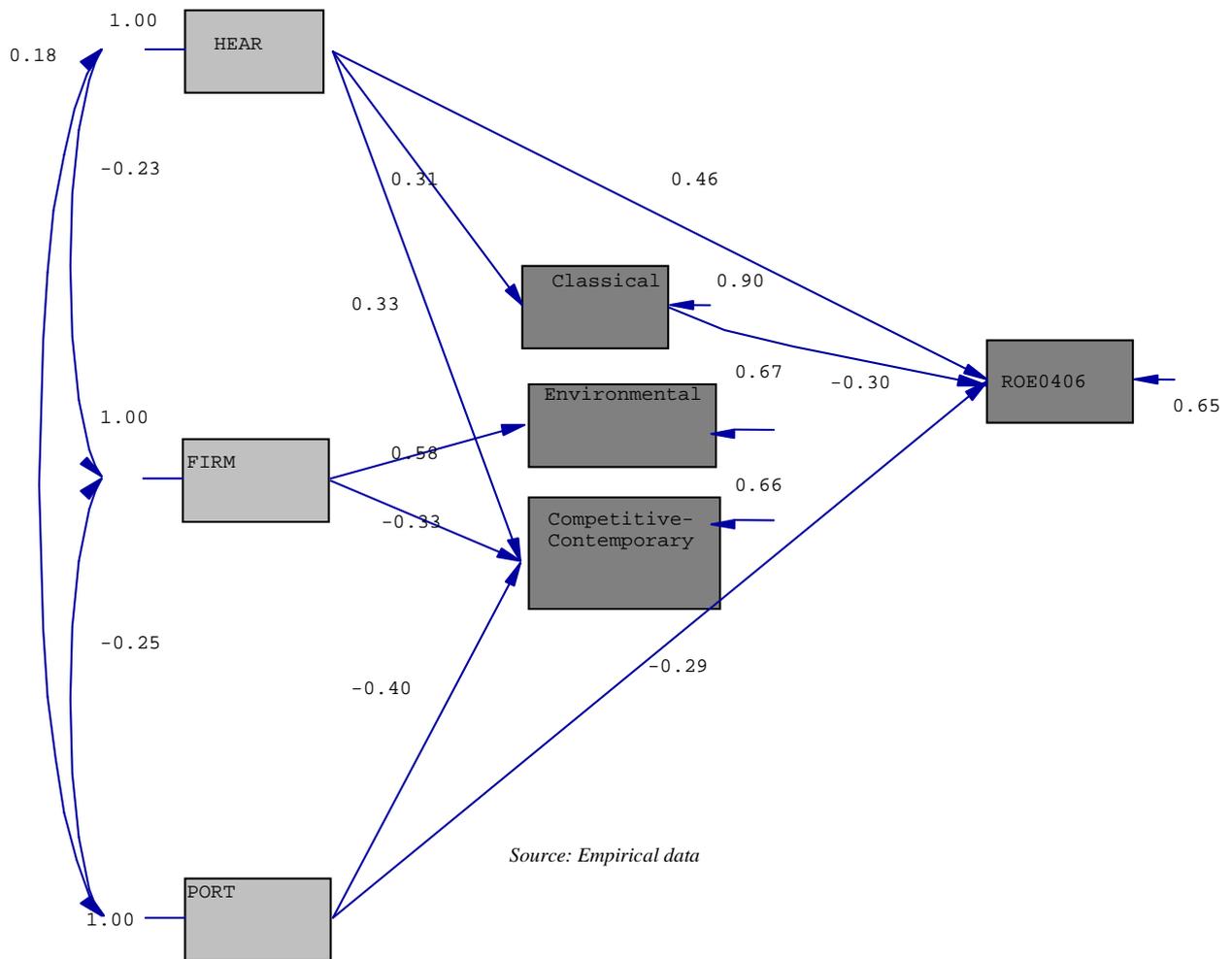
The goodness-of-fit of a model is a multiple set of criteria that are necessary to examine the model. The value of chi-square and degrees of freedom (df) are reported for each model. The chi-square value should not be significant if there is a good model fit. However, the chi-square was not given the major consideration because it is highly sensitive to sample size and the number of items in the model (Bentler, Bonett, 1980, p. 591 cited by Prodan, 2007, p. 119-120). Because the model chi-square is so conservative (prone to Type II error), researchers may well discount a negative model chi-square finding if other model fit measures support the model (Garson, 2008).

The value of the root mean square of approximation (RMSEA) should be lower or equal than < 0.05 . MacCallum et.al. (MacCallum, 1996, p. 134 cited by Prodan, 2007, p. 119-120) elaborated cut points for measuring the fit of RMSEA as: the values lower or equal to 0.05 indicates good fit, values ranging from 0.8 to 0.10 indicate mediocre fit and values greater than 0.10 indicate poor fit. Concluding, the presented model is on the lower level of acceptance.

There are several points from the empirical model presented in the Picture 9:

- HEAR has the positive and equal influence on the both classical (0.31) and the competitive-contemporary school of strategic management (0.33). It has also a quite large and positive influence on the ROE as a direct effect (0.46). Indirect effects of HEAR construct of strategic thinking is -0.14230 and the total effect is 0.317.
- FIRM has a quite strong effect on the environmental school of strategic management (0.58), and negative on the competitive-contemporary school (-0.33). There is no direct effect from FIRM to ROE. The indirect effect -0.01191 is considered too small for any interpretation possible.
- PORT has a quite large, negative influence on the competitive-contemporary school of strategic management (-0.40) and the direct effect on the ROE (-0.29). The indirect effect on the ROE is 0.06239 and the total effect is -0.22761.
- The only direct effect of the schools of strategic management on the ROE is on the classical school of strategic management (-0.30).

Picture 9: Empirically best fit model of the impact of the strategic thinking constructs and the schools of strategic management on the performance (ROE)



These remarks bring to the following conclusions:

- Except the factors mentioned in the model there are numerous additional factors, that influence each of the constructs and financial performance. Suggested model and its components are just one of the possible ways to present the impact of the strategic thinking constructs and schools of strategic management on the performance of the firms.
- HEAR is the construct of strategic thinking that strongly influences ROE. HEAR has the influence on the both classical school and the competitive-contemporary school. This construct offers the positive seeds for the both of the schools, whether they will develop in the classical or contemporary environment. It is not the conflict of the past and future, rather the solid ground for the success in business. HEAR construct functions in the both of the environments, and those environments influence the profit in the positive way. Features of strategic thinking expressed in the construct HEAR are contributing to the value of ROE if the top manager is working alone, without the team or a group of coworkers. When in indirect relations the idea twists and its influence becomes quite negative. If ideas of HEAR are taken in the more elaborated environment it loses the idea and its strength. The classical school of strategic management transforms the ideas of

HEAR into negative aspects due to the administrations, procedures and formal environment.

- FIRM is quite self-sufficient to elaborate the environmental school of strategic management. FIRM mainly influences the environmental school of strategic management and explains this school quite well. FIRM has a slightly negative effect on the competitive-contemporary school, but in general, it offers quite strong exclusive influence on the environmental school of strategic management. FIRM is the type of strategic thinking that is closed in the box of the environmental school of strategic management. It is not connected to the value of ROE, rather has the negative effect on the competitive-contemporary school of strategic management. Those are the ideas that are always present in the small percentage in the sample, that will slowly vanish from the top managers offices but still exist among the large firms in the Republic of Croatia, specially state owned firms with the high school top manager educational background.
- PORT negatively influences the competitive-contemporary school of strategic management and the value of ROE. PORT has the characteristic of the individual that does not correspond well in the community with others like in some specific school. It has quite the same intensity of negative influence on the both, classical and the competitive-contemporary school of strategic management. PORT is the type of the behavior that is more typical for the smaller, entrepreneurial, and self-owned firms. This type of behavior is not suitable for the large firms and therefore brings bad results to the value of ROE. It brings value to the accumulated profit, but not when putting this profit in relation to the equity on the disposal. This type of behavior is strongly negatively influencing competitive-contemporary school while PORT lacks the characteristic of the profound top manager, rather exploring just some of the characteristic, which are not good enough for leading the large firm. Competitive-contemporary school is based on the more elaborated concepts, types of collaborations and not just flaw instincts, emotions or the entrepreneurial idea.
- Classical school of strategic management is quite an institutional way of perceiving business and the business environment. The danger of inefficiency, that is proved when analyzed ROE could present one big obstacle to produce expected results. It is important to realize that classical school already has the significant negative contribution to ROE, while competitive-contemporary school does not have yet the established significant relation toward the value of ROE. The relation is expected to appear in the next several years, but it does still not exist now in the empirical research.
- Competitive-contemporary school does not tolerate the ideas of the FIRM and PORT construct, while it is based on the HEAR construct. Competitive-contemporary school of strategic management is described well with the positive influence of the HEAR, strong negative influence of the PORT and negative but less strong of the FIRM. This school is based on the characteristics of the HEAR, opposes the passiveness of the FIRM and contradicts the individuality effect of the PORT.
- Only classical school of strategic management has the effect on the ROE and at the same time they are the least explained construct in the model out of the three schools of strategic management.

These conclusions are slightly in contradiction with the results of the previous analysis. One should take into account that the structural equation modeling took into consideration several relationships at the same time, and therefore offers more in depth analysis than the previous ones.

The hypothesis 3.6 is accepted while there is possible to suggest a model that would put in relation strategic thinking features, schools of strategic management and financial un/successfulness of the firm. In this way it is possible to suggest the impact of constructs of both, the strategic thinking and strategic management schools on the performance of the firms.

CONCLUSION

The aim of the conclusion is to present the main points of the dissertation according to the goals presented in Chapter 1.2; give an overview of the hypotheses; list theoretical contributions and the implications for practitioners; and conclude with the delimitations of the research and suggestions for future research.

The purpose of the research is to denote the impact that strategic thinking and schools of strategic management have on the performance of Croatian entrepreneurial practice. In order to accomplish this purpose, I first theoretically presented the concept of strategic thinking and the concept of the schools of strategic management.

The Goals of the Research and the Overview of the Hypotheses

The **first goal** was to give an overview of the theoretical background of strategic thinking. Strategic thinking is an under-researched phenomenon that is often interchangeably used with numerous words or phrases from the field of strategic management. The ambiguity of strategic thinking makes the effort of defining strategic thinking even more challenging. The thesis summarizes different definitions and approaches to strategic thinking supported by the critical overview of the selected contributions. I proposed an process-based definition of strategic thinking in order to open new ways of understanding strategic thinking outside the strategic management framework. Strategic thinking operates on three levels: individual, group or team based and firm-based level. The debate about strategic thinking/strategic planning relations is concluded with the dialectical model. The content of strategic thinking, as a concept, is based on numerous features. Whatever feature one might mention, it is actually the manifestation of certain skills, capability, knowledge, and character that constitute the strategic thinking capability. All individuals possess such features. The real question is the number of strategic thinking features that top managers develop, the extent to which the top managers use these features, and the way they combine them in practice.

The **second goal** was to present theoretically the schools of strategic management. The school of strategic management is seen from the top manager's approach to the process of strategic management. Different schools of strategic management are actually different paradigms (i.e. *sunglasses*) top managers use in order to perceive the process of strategic management. Within the same school of strategic management, top managers share the same perspectives and opinions about the variety of business issues, whereas there are crucial differences between two schools of strategic management. Depending on the criteria used, there are quite a few theoretical classifications of the process of strategic management (Chaffee, 1985; Hampden- Turner, 1993; Whittington, 1993; Mintzberg, 1994; McKiernan, 1996; Mintzberg, Ahlstrand, Lampel, 1998; Haberberg, Rieple, 2001). Each of the proposed classifications is the result of the author's subjective criteria and offers just one view in the whole *elephant* story. My contribution can be seen in the classification of the schools of strategic management according to two criteria: time

horizon and the role of the top manager in the process. There are four schools of strategic management: classical school, contemporary school, environmental school, and competitive school of strategic management. The theoretical overview concludes with the critique of each of the four schools in order to offer a balanced and objective view.

The **third goal** was to test empirically the impact of strategic thinking and schools of strategic management on top managers in large Croatian entrepreneurial firms. Strategic thinking, schools of strategic management and financial performance are theoretical constructs. Each of them has their own proxies. There are ten constructs of strategic thinking: system view, hypothesis generating and testing, focus, time perception, professional competency, flexibility, political senses, intuition and paradox/uncertainty. There are four schools of strategic management: classical, environmental, and competitive and contemporary and there are two measures of financial performance: ROE and ROA.

I performed the field research in large Croatian firms that employ at least 250 employees. The survey instrument was a questionnaire that provided information on top managers' opinions and views about the constructs of strategic thinking and the constructs of the schools of strategic management. I gathered the information about the financial results from secondary sources. The respondent rate of 31.47% is considerably high. The brief overview of the tested hypotheses, results, and specific notes are presented in the table 26.

Table 26: Summary of hypotheses, results, and notes

Hypothesis	Results	Note
Hypothesis 1.1 Each manager employs some features of strategic thinking	<input checked="" type="checkbox"/> Supported	Top managers do not utilize only one out of the 48 features of strategic thinking
Hypothesis 1.2 Top managers employ certain features of strategic thinking more often than other	<input checked="" type="checkbox"/> Supported	I provided the list of the most utilized constructs and premises of strategic thinking
Hypothesis 1.3 The employment of specific strategic thinking features can be brought into relation with contingency factors	<input checked="" type="checkbox"/> Supported	Premises of all ten of the strategic thinking constructs had statistically significant relations to some of the contingency factors
Hypothesis 1.4 It is possible to prove the relation between the employment of specific thinking features and some of the strategic management schools	<input checked="" type="checkbox"/> Supported	There is a connection between the features of strategic thinking and all three schools of strategic management
Hypothesis 1.5 Firms that are more successful employ certain specific features of strategic thinking more often than the less successful firms	<input checked="" type="checkbox"/> Supported	There are premises in which more successful and less successful firms disagree.
Hypothesis 1.6 Combination of strategic thinking features, if employed simultaneously, result in the way the top managers compose their own strategic thinking	<input checked="" type="checkbox"/> Supported	The factor analysis primarily loaded six constructs, which were later comprised to three constructs
Hypothesis 2.1 The way of perceiving the process of strategic management can be presented by four schools of strategic management	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Partially supported	Factor analysis loaded three instead of the four theoretically assumed schools of strategic management
Continue on the next page		

Continue	Results	Note
Hypothesis		
Hypothesis 2.2 Firms in which the top manager perceives the process of strategic management according to the Classical school of strategic management achieve better financial results	<input checked="" type="checkbox"/> Not supported	The firms will be more successful if they choose some other school as the priority of strategic management
Hypothesis 2.3 Firms in which the top manager perceives the process of strategic management according to the Environmental school of strategic management achieve better financial results	<input checked="" type="checkbox"/> Not supported	The firms will be more successful if they choose some other school as the priority of strategic management
Hypothesis 2.4 Firms in which the top manager perceives the process of strategic management according to the Competitive school of strategic management achieve better financial results Hypothesis 2.5 Firms in which the top manager perceives the process of strategic management according to the Contemporary school of strategic management achieve better financial results	<input checked="" type="checkbox"/> Supported	The hypotheses 2.4 and 2.5 have been tested together according to the factor loading results
Hypothesis 2.6 The way top managers perceive certain schools of strategic management can be explained with contingency factors	<input checked="" type="checkbox"/> Supported	There are contingency factors that could explain the choice of the preferred school of strategic management
Hypothesis 3.1 Features of strategic thinking only partially influence the formation of schools of strategic management	<input checked="" type="checkbox"/> Supported	The hypothesis 3.1 has slightly changed, the word features has been replaced with the word constructs
Hypothesis 3.2 Certain features of strategic thinking influence each school of strategic management	Not tested	This hypothesis is similar to the hypothesis 1.4
Hypothesis 3.3 The financially better performing firms are the ones in which the top manager is dedicated to the features of strategic thinking that are in alignment with the specific school of strategic management	<input checked="" type="checkbox"/> Not supported	The financially better performing firms are the ones that have a certain combination of strategic thinking and schools of strategic management, not necessary in alignment
Hypothesis 3.4 Achieving better financial results depends on the selection of specific features of strategic thinking and their usage in the decision-making process	<input checked="" type="checkbox"/> Supported	The most suitable construct of strategic management if we measure ROA is HEAR, and if we measure ROE, it is FIRM
Hypothesis 3.5 Achieving better financial results depends on the selection of specific schools of strategic management i.e. the way we perceive the process of strategic management	<input checked="" type="checkbox"/> Supported	The most suitable construct of strategic management if we measure ROA is the Competitive-Contemporary school of strategic management, and if we measure ROE, it is the Environmental school of strategic management
Hypothesis 3.6 It is possible to suggest a model that could comprise the relations between the selection of strategic thinking features, the schools of strategic management and the financial results of an un/successful firm	<input checked="" type="checkbox"/> Supported	The model is conducted by SEM

Source: Empirical data

The most utilized constructs of strategic thinking are generating and testing hypothesis, understanding paradox, complexity, and uncertainty, professional capabilities, system view, and orientation towards the future. The least utilized constructs are intuition, political sensitivity, perception of time and flexibility. The most of strategic thinking premises can be related to the contingency factors grouped as firm or top manager characteristics. The contingency factors related to the firm are ownership, tradition, and business orientation. The contingency factors that describe the top manager are influence, years spent as the top manager, exercise of strategic thinking, and education. The premises of strategic thinking can be related to the schools of strategic management that offer more insights into the utilization of the specific strategic thinking features. The firms that do not carry the burden of correcting past mistakes but are rather future oriented have positive financial results. In such firms, top managers develop positive communication that takes into consideration different viewpoints. They try to avoid surprises in both planning and business in general. The decisions do not change; the top manager of a successful firm has the stamina to stick to the decision regardless the colleagues' pressure.

Factor analysis primarily loaded six constructs of strategic thinking capability that were upon the reliability test comprised to the three distinctive constructs of strategic thinking capability. The first construct is labeled HEAR (h-hypothesis, e-expertise, a-agnosticism, r-responsibility), the second one FIRM (f-fix problems, i- introspection, r- reaction, m- melancholy) and the last PORT (p- perception, o- optimistic atmosphere, r- resemblance, t-technical ability). The most frequently used construct is HEAR, followed by PORT and the last being FIRM.

Second set of hypotheses evolved around creating the constructs of strategic management schools. Out of the four theoretically presented schools, factor analysis proposed three schools of strategic management: classical school, environmental and competitive-contemporary school of strategic management. The most utilized school is the competitive-contemporary school, than the classical school while the last is the environmental school of strategic management. Top managers that preferred the premises of the competitive-contemporary school of strategic management have had better financial results than top managers that preferred other schools of strategic management. Top managers choosing the classical school guide their strategic decisions depending on the market, the owner and their own skills and competences, market and politics in the environmental school and everything except politics in the competitive-contemporary school. Private or mix owned firms are more prone to the competitive-contemporary school while the state owed are more prone to the environmental school of strategic management. The relations between the constructs of strategic thinking and the constructs of the schools of strategic management have been tested with the regression analysis. The analysis shows a significant positive relation between HEAR and the classical and the competitive-contemporary school of strategic management. The second construct- FIRM significantly and positively influences only the environmental school of strategic management. The third construct named PORT influences significantly, but in a negative way, the classical and the competitive-contemporary school of strategic management. Looking at the firms that have features of strategic thinking in alignment with the schools of strategic management we can see that these alignments had no significance during the period 2004-2006 and did not produce better financial results. The alignment is the matter of consistency between the top managers thinking and his actual strategic behavior in the firm.

Depending on the financial measures, there is a difference in what the most suitable constructs of strategic thinking are. If looking at ROA the most suitable construct of strategic thinking is HEAR, and if looking at ROE it is FIRM. Constructs of the strategic management school have

quite a similar pattern. When looking at ROA, the most suitable is the competitive-contemporary school, and when looking at ROE, the best option has proven to be the environmental school of strategic management.

When analyzing the relation between the constructs of the strategic thinking, the constructs of strategic management schools and the financial measures, one can conclude that in the period 2004-2006, the percentage of ROE variances can be explained with: 17.7% variances by HEAR construct, 10% variances by FIRM, 11.1% variances by PORT and 2.3% variances by the environmental school. The variances of ROA can be explained by a considerably lower significance and strength.

The **fourth goal** is to elaborate the title of this thesis. The impact of strategic management schools and strategic thinking on the performance of Croatian large entrepreneurial firms was tested with several hypotheses but more specifically with the final model (Hypothesis 3.6). The results of these hypotheses represent small pieces of a greater puzzle about the qualitative and quantitative features of strategic management in large Croatian firms.

The structural equation model offered new insights into the final model. The suggested model and its components are just one of the possible ways to present the impact of the strategic thinking constructs and schools of strategic management on the financial performance of the firm. The construct HEAR contributes to the value of ROE if the top manager works on his/her own without the team or a group of coworkers. If the ideas presented in HEAR are put in a more elaborated environment they lose their strength. The classical school of strategic management transforms the ideas of HEAR into negative aspects of formal environment. It is interesting to point out that HEAR works well in the environments of both the classical and the competitive-contemporary school of strategic management. The FIRM is a type of strategic thinking mostly found within the environmental school of strategic management. The ideas of FIRM are present, but in a very small percentage, in the sample. This especially concerns those firms that are state owned and are managed by high school graduated top managers. This percentage will slowly decrease and the ideas will eventually vanish from the top managers' offices among the large firms in the Republic of Croatia.

PORT is the type of strategic behavior that is more typical for smaller, entrepreneurial, and self-owned firms. This type of behavior strongly negatively influences the competitive-contemporary school. The classical school of strategic management is quite an institutional way of perceiving business and the business environment. The danger of inefficiency, if measured by ROE, could present a big obstacle in achieving expected results.

Theoretical/Methodological Contributions and Implications for Practitioners

The thesis contributes to the development of theory/methodology and has various implications for practitioners.

The **contributions to the development of theory/methodology** are as follows:

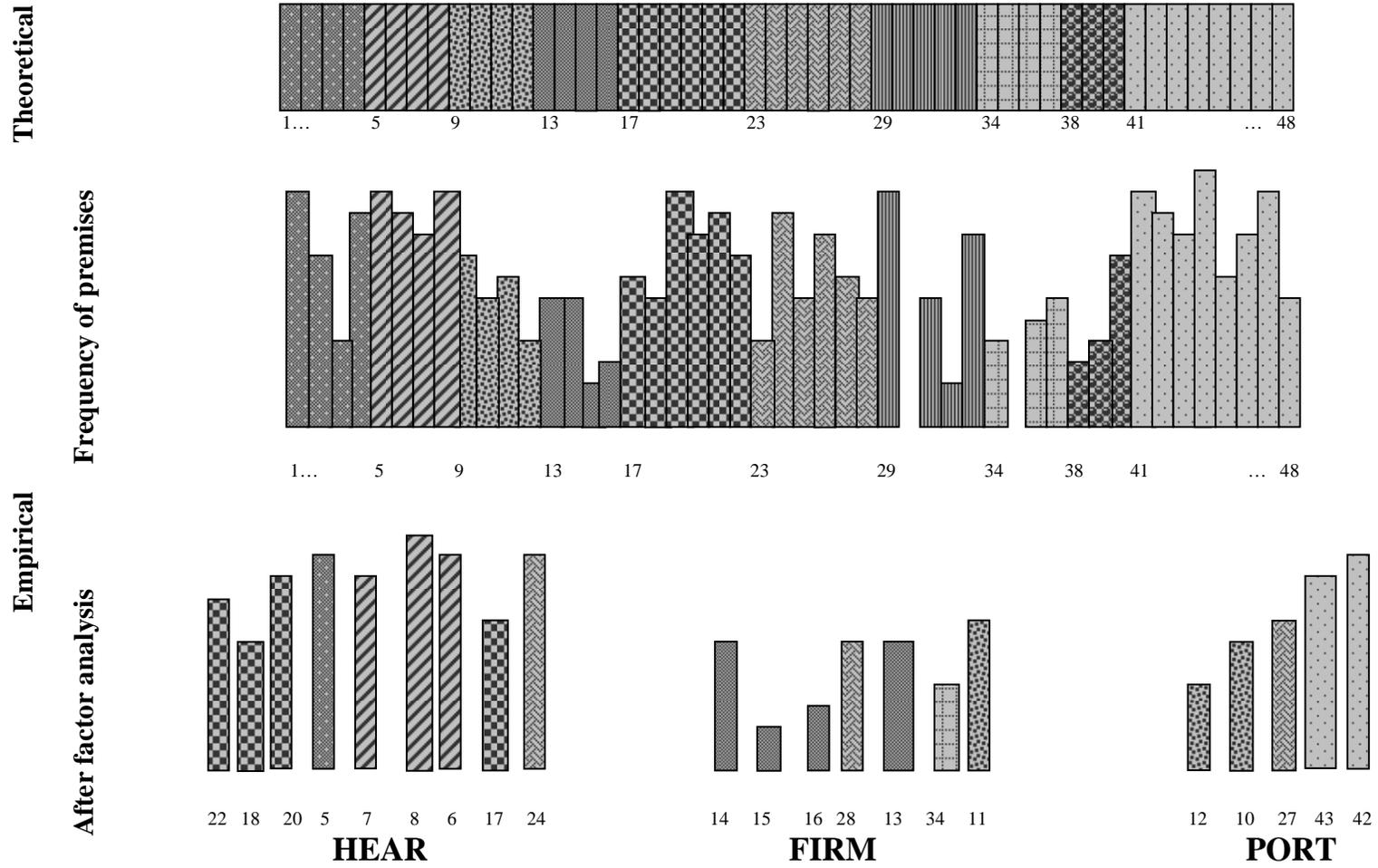
- A comprehensive overview of the strategic thinking literature. Strategic thinking is an under-researched, self-understood concept that researchers mention but do not elaborate in their papers. There is no research track on the topic of strategic thinking. The contributions are fragmented and dispersed in various sources in the field of management, strategic management, and psychology.
- An elaboration of strategic thinking in several layers. The first layer includes existing definitions and their critical overview. The second describes different approaches to strategic thinking and gives their critical perspective. The third layer shows and explains the relation between strategic thinking and strategic planning by the dialectical model.
- A sound definition of strategic thinking.
- An elaboration of the features of strategic thinking based on different criteria, sources, and studies. Creation of a classification consisting of ten crucial features/constructs that demonstrate strategic thinking capability.
- One of the first empirical testing of the strategic thinking features (Table 27). Literature offers a variety of theoretical approaches to strategic thinking, but apart from Jacobs (Jacobs, 1994) there was no empirical testing.
- An extensive historical overview of strategic management with special emphasis on the process of strategic management.
- An elaboration and systematization of the numerous classifications of schools of strategic management.
- Creation of a new classification of schools of strategic management based on two criteria: time horizon and the role of the top manager in the process. The suggested classification consists of classical school, environmental school, competitive school, and contemporary school. The empirical testing in Primorsko-goranska County (Jelenc, 2004) and the testing covering the whole territory of Croatia, performed in this thesis, indicate the existence of only three schools of strategic management: classical, environmental, and competitive-contemporary school.
- A critical overview of the schools of strategic management in order to grasp the objective value and contribution of each school.
- Creation of constructs for both strategic thinking and schools of strategic management.
- Empirical testing of the constructs of strategic thinking and the constructs of the schools of strategic management, their mutual relation, and their impact on the performance of large Croatian firms. These constructs have been empirically tested for the first time.
- Empirical testing results provide information about the qualitative and quantitative characteristics of strategic management in Croatian large firms.
- Development of a comprehensive model explaining the relations between strategic thinking and strategic management schools and explaining their impact on the financial results.

The implications for **practitioners** could be elaborated in two directions: the general ideas and concepts about strategic thinking and schools of strategic management and specific characteristics and trends among top managers in large Croatian firms.

The general ideas and concepts about strategic thinking and schools of strategic management are as follows:

- Top managers should perceive **strategic thinking as the core of strategic management**. It cannot be replaced with any tool, methodology, or software. Tools, methodology, and software offer help and assistance in better functioning of strategic thinking. If their aid improves strategic thinking, or in other words, contributes to better business results, we can say that they are suitable and should be used. If strategic thinking does not improve despite the assistance of some method, the method should be abandoned. Only a perfect strategist can develop and implement perfect strategies, all the rest, need the help in form of different consultancies, trainings, seminars and books. Top managers should be aware that there is no replacement for strategic thinking and that they are the only ones responsible for the process.
- The strategic thinking process starts in the heads of the individuals but only with the support of the group and teams, its potential grows and finally emerges on the **firm's level**. Without the support of teams and the firm in general, the ideas of the individual might not reach the top managerial level and might result in a great loss for the firm.
- When exercising strategic thinking, a top manager should be opened to a variety of different and **unconventional sources of ideas**. The suggested definition of strategic thinking lists the ways these sources of ideas form strategic thinking and the ways in which they reflect on the top manager.
- Strategic thinking is a capability that a top manager should develop, train, and **exercise every day**. The more top manager exercise strategic thinking the more capable they are to think strategically and have better results.
- There are **three dimensions** of strategic thinking capability. The first one is selecting the right feature, the second is the feature's strength, and the third is the possibility to combine different features. There is a long list of potential features of strategic thinking and none of them includes all the possible features (Table 27- the theoretical features of strategic thinking). The aim is not to make an extensive list, but to pinpoint those features that are crucial for the strategic thinking capability. When we look closely at this list, the features seem to be normal skills each employee and human being possesses. The top manager's capability of strategic thinking does not only imply possessing features from the list, but also the top manager's awareness and ability to utilize these features in specific situations to their full potential and in accordance with their special talents, potential and/or natural ability. The strength and potential of each developed feature will determine the most dominating feature in top manager strategic thinking (Table 27- the frequency of premises). The third dimension of strategic thinking involves top managers' combining of several features and thus creating a distinctive strategic thinking capability. By combining two or more features, a top manager creates the pattern-archetype of strategic thinking capability (Table 27- after factor analysis).
- Strategic thinking and strategic management **should not be self-sufficient concepts**; they should be embedded in the context of industry and firm issues. Sometimes it is more important to solve a problem than to follow the strategic planning procedures. Strategic thinking and schools of strategic management answer the question **HOW**, and the specific problem and industry will answer the question **WHAT**. Therefore, the first layer consists of technical competences and skills and once they are comprehended strategic management can be applied and will prove to be more effective.
- The ideas and concepts about strategic thinking and schools of strategic management can help in developing **management-training programs** for top managers,

Table 27: Theoretical and empirical features of strategic thinking



Note: The number beneath the column corresponds to the codes of strategic thinking premises in Appendix I. The pattern of each construct of strategic thinking is presented by a different filling.
 Source: Empirical data

such as MBAs or other executive training programs. These programs could be targeted at middle managers who have the potential to climb the corporate ladder and it should be focused on those capabilities needed for becoming a successful top manager. This includes working on capabilities from two areas: management and psychology. Management is important because it brings knowledge on leadership, coordination, control, organization, and planning. Psychology is important for top managers because it will offer them the possibility to understand themselves, their personal potential and boundaries, strengths, and weaknesses. With this notion of understanding themselves as human beings, top managers will be able to lead others with more success. Such a program is for example being developed within the Faculty of Economics, University of Rijeka.

Specific characteristics and trends among top managers in the large Croatian firms are as follows:

- Theoretical discussions about strategic thinking have little practical value for top managers. Empirical testing results indicate the most suitable and the least suitable ways of strategic thinking and schools of strategic management according to the three financial indicators (Table 28 Overview of the most relevant empirical results).
- Top managers most often possess and develop the following features of strategic thinking: generating and testing hypothesis, understanding paradox, complexity and uncertainty, professional capabilities, system view and orientation toward the future.
- Top managers are less likely to possess and develop the following features: flexibility, perception of time, focus orientation, political sensitivity, and intuition, as the least developed feature.
- The most suitable way of developing strategic thinking among large Croatian firms is HEAR, according to ROA and FIRM, according to ROE.
- Strategic thinking developed according to the HEAR construct is likely to occur in firms that provide services and that are mainly oriented toward the domestic market. A top manager exercises strategic thinking every day, and his/her strategic decision largely depends on the market, owners, and top manager him/herself. A top manager possessing the HEAR type of strategic thinking brings stable and positive financial results regardless the type of industry they work for. This construct offers the positive seeds for the development of two schools in particular- the classical and the competitive-contemporary school of strategic management. There is no conflict between the past (presented by the classical school) and the future (presented by competitive- contemporary school), rather HEAR represents a solid ground for business success regardless the time frame.
- In case of the HEAR construct, if the top manager decides about strategic issues as an individual, the decisions will result in positive value of ROE. Furthermore, if the top manager develops strategic thinking capability according to the HEAR construct but manages a firm according to the classical school of strategic management, the real potential of HEAR will not be utilized. In such cases, the positive or negative financial indicators will be the result of the benefits brought by the classical school and not the potential of the top manager him/herself.
- The most appropriate approach to the process of strategic management among large Croatian firms is the competitive-contemporary school, according to ROA and Environmental school, according to ROE.

Table 28: Overview of the most relevant empirical results

Constructs of Strategic Thinking

Constructs of Strategic Management Schools

Performance*
Impact results Financial

HEAR ROA
service firm
domestic market
exercise strategic thinking every day
market/owner/top manager influence

CLASSICAL
exercise strategic thinking (day/week)
business environment, inner capability,
competitors (factors**)
market/owner/top manager influence

Classical+ HEAR ++

FIRM ROE
state ownership
political influence

ENVIRONMENTAL ROE
state ownership
high school/college background
market, knowledge (factors**)
market/political influence

Environmental + HEAR +
+ Environmental + FIRM ---
Environmental + PORT +

PORT
exercise strategic thinking every day
more than 30 years of business activity

COMPETITIVE- CONTEMPORARY ROA
private/mix ownership
no political influence

Competitive-Contemporary + HEAR +++
Competitive-Contemporary +PORT +++

144

* The combinations presented in this table are only those present in four or more sample firms.

** Factors determine the most determining factor in planning the future of the firm

- The competitive-contemporary school is an approach to the process of strategic management in which the top manager makes strategic decisions according to a variety of influences excluding politics. These firms have private or mix ownership. The top manager acting in accordance with this approach creates an atmosphere that enables positive and extremely high financial results no matter of the top manager's personal strategic thinking capabilities.
- The relation between the schools of strategic management and ROE is quite indirect and there are numerous factors influencing this relation. The classical school has even negative direct impact on ROE and the two other schools have no direct relation at all. This means that the top manager's perception of the process of strategic management has little or no impact on the performance of large Croatian firms, at least in this empirical research. The situation with the strategic thinking constructs is a somewhat different. Construct FIRM has no impact whatsoever; construct HEAR has direct and positive impact and PORT has direct and negative impact on ROE. Construct HEAR brings positive vibrations, while PORT brings negative vibrations in all types of firms.

The world of management, and strategic management in specific, is perceived as a world of paradoxes and contradictions but actually, I believe it is a very neat and orderly system of principles and rules yet unknown to our senses, perception, and knowledge.

Delimitations of the Empirical Research

There are several limitations in both the theoretical and the empirical part of this doctoral dissertation. The limitations of the theoretical part lie in the assumptions. I assumed the following: the top manager is the person in charge of the process of strategic management, his/her opinion about strategic issues is relevant for the firm, the subjective opinion of the top manager correlates with the firm's approach toward the process of strategic management. Furthermore, I assumed that the way the top manager perceives the process, influences the way his employees approach the process and that this reflects on the entire firm and finally that the large firms have more elaborated approaches to strategic management. The series of assumptions are the underlying ideas of this doctoral dissertation. Each of the assumptions could be changed but then these changes would consequently alter the stream of thought developed throughout this research.

The limitations of the empirical part are several. The nature of strategic management includes three time frames: the past, the present, and the future. Top managers are influenced by the past events and experience, they resolve current problems, and make plans to prepare themselves and the firm for future challenges. I conducted the field research about top managers' perception of the process of strategic management in 2006-2007. Their perception reflected their strategic behavior at that moment. This strategic behavior became effective in 2007-2008 and the first financial indicators will be seen in 2008 or 2009. This would be the appropriate time lag for the strategic decisions to proof their accountability. Thus, the financial results of 2008-2009 that will be published in the first half of 2010 will be the best indicators about the most suitable ways of strategic thinking and schools of strategic management. They will additionally show how much the financial results do depend on the constructs of strategic thinking and schools of strategic management. Therefore, there had to be a compromise in order to meet the time limitations for this thesis. There is a vast majority of top managers in the sample performing their duty for two

years and longer (41.7% of top managers had been on their current position 2-5 years, 23.6% of top managers 6-10 years, and 16.5% for 11 or more years). I concluded it is rational to take into account their perception in the period of 2006-2007 and compare it with the financial results of 2004-2006. In order to avoid the statistical bias in financial results I took into consideration the average value of the three financial indicators in the period of 2004-2006.

The second limitation I faced is that there is only one respondent in each of the firms who could fill in the questionnaire. Because of this, one might conclude that the results of this field research provided biased answers. The aim of this field research was to find out about the perception of the person in charge of the process of strategic management and not the opinion of managers at lower levels or employees in general. The opinion of the top manager is the only perception that I was interested in the firm. The subjectivity was intended and deliberate. It would be illusionary to ask for an objective opinion about a subjective perception. The subjective opinion of the top manager becomes the objective criteria for middle management.

Suggestions for Further Research

At the conclusion of this thesis, I would like to point out several possible directions for further research. The schools of strategic management are one of the topics that will keep appearing in strategic management literature from time to time. It may not be the mainstream research track but rather the method that researchers will use in order to denote the advancement in the field of strategic management. It will offer quite an extensive and refreshing overview of the existing paradigms and the guidelines for future research. The research of strategic management schools is like *a look in the mirror* of strategic management research, suggesting which topic is passé, which topic should be more emphasized and which topic has the potential to evolve.

Strategic thinking is a topic that will be more popular in both practical and academic circles in the future. Further research should be focused on the specific features of strategic thinking, their strength, and combination when utilized by top managers, the cultural differences in perceiving features of strategic thinking, and the different levels of creating strategic thinking. Due to the cognitive character of strategic thinking, it is necessary to combine the efforts of the strategic management researchers and psychologists. Since methods of strategic management only depict the features of strategic thinking, psychology could help in retrieving how these features emerge, evolve, and grow in their potential and capacity.

Strategic management is oriented on goals and their financial and non-financial results. Top managers should base their behavior on the direct strategy-financial result relation in order to receive as much dynamic feedback about interactions and continuous improvement. This will help to build and maintain the top managers' faith in strategic management, since it will prove itself beneficiary in their work.

Moreover, the future research of strategic management in Croatia should be focused on several additional issues. This research could be continued and evolved into a longitudinal research that would further depict patterns and trends, and the way these patterns and trends change through time. Due to the nature of research and the respondents included in the empirical analysis there should be at least a five year time distance. This period is long enough for the top managers to change their perception about the process of strategic management and change the dominating type of strategic thinking. The research should be directed towards more qualitative methods in

order to grasp the *strategy-as-practice* skill. The learning experience of top managers is a valuable asset, a tacit knowledge that should be more researched in order to acquire new notions and insights that will result in better and more efficient future managers/strategists.

REFERENCES

1. Abraham, S. (2005). Stretching strategic thinking. *Strategy and Leadership*, 33 (5), 5-12
Academy of management review, 10 (4), 724-736.
2. Ackoff, R. (1970). *A Concept of Corporate Planning*. Wiley-Interscience: New York.
3. Albrecht, K. (1994). *The northbound train, Finding purpose: setting the direction of your organization*. American Management Association: New York.
4. Alvarez, S. & Busenitz, L. (2001). The entrepreneurship of resource-based theory. *Journal of Management*, 27, 755–775.
5. Andrews, K. (1971). *The Concept of Corporate Strategy*. Homewood: Dow-Jones-Irwin.
6. Andrews, K. (1981). Replaying the board's role in formulating strategy. *Harvard Business Review*, May/June
7. Andrews, K. (1987). *The Concept of Corporate Strategy*. Homewood: Dow-Jones-Irwin.
8. Ansoff, I. (1965). *Corporate Strategy*. New York : McGraw Hill.
9. Ansoff, I. (1987). The Emerging Paradigm of Strategic Behavior. *Strategic Management Journal*, 8
10. Ansoff, I. (1994). Comment on Henry Mintzberg's Rethinking Strategic Planning. *Long Range Planning*, 27 (3), 31-32.
11. Ansoff, I.H. (1991). Critique of Henry Mintzberg's The Design School: Reconsidering the Basic Premises of Strategic Management. *Strategic Management Journal*, 12 (6), September, 449-461.
12. Argyris, C. & Schön, D. (1978). *Organizational learning: A theory of action perspective*. Reading: Addison Wesley.
13. Argyris, C. (1976). Single-loop and double-loop model sin research on decision making. *Administrative science quaterly*, 21, 363-375.
14. Banach, W. & Lorenzo, A. (1993). *Toward a new model for thinking and planning: the emerging context for life in America*, Macomb Community College, Warren, MI. Insitute for Future Studies. Eric Document Reproduction Service No. ED 372 790
15. Barnard, C. I. (1956): *The Functions of the Executive*. Cambridge: Harvard University Press.
16. Barnard, C.I. (1962). *Organization and Management*. (5th ed.) Cambridge: Harvard University Press.
17. Barney J.B. (2001a). Resource-based theories of competitive advantage: a ten year retrospective on the resource-based view. *Journal of Management*, 27, 643-650.
18. Barney J.B. (2001b). Is the resource-based “view” a useful perspective for strategic management research?Yes. *Academy of Management*, 26 (1), 41-56.
19. Barney, J.B. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, 11, 656-665.
20. Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99-120.
21. Bergh, D.D. & Ngah-Kiing, L. (2008). Learning how to restructure: absorptive capacity and improvisational views of restructuring actions and performance. *Strategic Management Journal*, 593-616.
22. Bolman, L.G. & Deal, T. (1997). *Reframing Organizations, Artistry Choice, and Leadership*. (2nd ed.) San Francisco: Jossey-Bass Publishers.

23. Bonn, I. (2001). Developing strategic thinking as a core competency. *Management Decision*, 39 (1), 63-71.
24. Bonn, I. (2005). Improving strategic thinking: a multilevel approach. *Leadership and Organization Development Journal*, 26 (5), 336-354.
25. Bose, P. (2003). *Alexander the Great's Art of Strategy*. New York: Gotham Books.
26. Brews, P. & Hunt, M. (1999). Learning to Plan and Planning to Learn: Resolving the Planning school/learning School Debate. *Strategic Management Journal*, 20 (10)
27. Brews, P.J. & Tucci, C.L. (2004). Exploring the structural effects of internetworking. *Strategic Management Journal*, 25 (5), May
28. Bromwich, M., Bhimani, A. (1994). *Pathways to Progress*. CIMA.
29. Bruner, G. & Hensel, P. (1993). Multi-item Scale Usage in Marketing Journals; 1980 to 1989. *Journal of the Academy of Marketing Science*, 21, Fall, 339-343.
30. Buble, M. et.al. (2007). *Strateški menadžment*. Zagreb: Sinergija.
31. Buble, M.et.al. (2005). *Strateški menadžment*. Zagreb: Sinergija.
32. Buckminster Fuller, R. (1975). *Synergetics: Explorations in the Geometry of Thinking*
33. Bürgi, P. & Roos, J. (2003). Images of Strategy. *European Management Journal*, 21 (1), 69-78.
34. Canole, M.C. Holland (1999). *District strategic planning: Is there evidence of strategic thinking and acting? (A study of three Rhode Island school districts)*. Dissertation, Rhode Island: Johnson and Wales University Providence, The Graduate School Educational Leadership Program
35. Čater, T. (2003.). *Osnove konkurenčnih prednosti slovenskih podjetij*. PhD, Ljubljana: University of Ljubljana
36. Chaffee, E.E. (1985). Three Models of Strategy. *Academy of Management Review*, 10 (1)
37. Chaharbaghi, K. & Willis, R. (1998). Strategy: The Missing Link between Continuous Revolution and Constant Evolution. *International Journal of Operations & Production Management*, (18) 9-10, 1017-1027.
38. Chandler, A.D. (1962). *Structure and Structure*. Cambridge: The Belknap Press of M.I.T. Press.
39. Chandler, A.D. (1977). *The Visible Hand*. Cambridge: The Belknap Press of Harvard University Press.
40. Child, J. (1972). Organizational Structure, Environment and Performance: The Role of Strategic Choice. *Sociology*, 6 (1), 1-22.
41. Christensen, C.R., Andrews, K., Bower, J.L., Hammermesh, R.G. & Porter, M. (1982). *Business Policy, Text, and Cases*. (5th ed.) Homewood: Irwin.
42. Christensen, C.R., Berg, N.A., Salter, M.S., Stevenson, H.H. (1985). *Policy formulation and administration*. Homewood: Irwin.
43. Churchill, G. & Peter, P. (1984). Research Design Effects on the Reliability of Rating Scales. *Journal of Marketing Research*, (21) 11, 360-375.
44. Collier, N., Fishwick, F. & Floyd, S.W. (2004). Managerial Involvement and Perceptions of Strategy Process. *Long Range Planning*, 37, 67-83.
45. Collins, O. & Moore, D. (1970). *The Organization Makers*. New York, Appleton-Century Crofts.
46. Conner, K.P. & Prahalad, C.K. (1996). A resource-based theory of the firm – knowledge versus opportunism. *Organizational Science*, 7, 477-501.
47. Cook, W.J., Jr. (1990). *Bill Cook's strategic planning for America's Schools* (rev.ed.). Arlington: American Association of School Administrators
48. Cortina, J.M. (1993). What is coefficient alpha? An examination of theory and applications. *Journal of Applied Psychology*, 78 (1), 98-104.

49. Cummings, S. (1993). Brief Case: The First Strategists. *Long Range Planning*, 26 (3)
50. Cyert, R. M. & March, J. G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs: Prentice Hall.
51. De Geus, A.P. (1988). Planning as Learning. *Harvard Business Review*, March-April, 70-74
52. De Witt, B., & Meyer R. (1998). *Strategy, Process, Content, Context, An International Perspective*. (2nd ed.), Thomson Business Press: London.
Disaster. *Administrative Science Quarterly*. December, 38 (4), 628-653.
53. Drucker, P. (1959). Long Range Planning: Challenge to Management Science. *Management Science*, April, 238-249.
54. Drucker, P.F. (1970). Entrepreneurship in Business Enterprise. *Journal of Business Policy*, I (1), 3-12.
55. Dyer, J.H. & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management review*, 23 (4) 660- 679.
56. Eden, C. (1990). Strategic thinking with computers. *Long Range Planning*, 23, 35-43.
57. Eisenhardt, K.M. (1990). Speed and Strategic Choice: How Managers Accelerate Decision Making. *California Management Review*, Spring, 39-54.
58. Farjoun, M. (2002). An Organic Perspective on Strategy. *Strategic Management Journal*. (23) 7, 561-594.
59. Fells, M. (2000). Fayol stands the test of time. *Journal of Management History*, (6)8, 345-360
60. Feurer, R. & Chaharbaghi, K. (1995). Strategy Development: Past, Present and Future. *Management Decision*, 33 (69), 11-21.
61. Field, A.P. (2005). *Discovering Statistics Using SPSS* . (2nd ed.), London: Sage.
62. Finn, A. & Kayande, U. (1997). Reliability Assessment and Optimization of Marketing Measurement. *Journal of Marketing Research*, May, 34, 262-275.
63. Fiol, C.M. & Lyles, M.A. (1985). Organizational Learning. *Academy of Management review*, 10, 803-813
64. Fiol, M., Huff, A. (1992). Maps for managers:where are we? Where do we go from here? *Journal of Management Studies*. 29, 267-285.
65. Flamholtz, E. & Hua, W. (2000). Searching for Competitive Advantage in the Black Box. *European Management Journal*, 21 (2), 222-236.
66. Foss, N.J. (1997a). *Resources and Strategy*. Oxford: Oxford University Press.
67. Foss, N.J. (1997b). The classical theory of production and capabilities view of the firm. *Journal of Economic Studies*, 24, 307-323.
68. Foss, N.J. (2005). *Scientific Progress in Strategic Management: The Case of the Resource-based view*. 1-22 In P. Ordonez de Pablos, M. Peteraf & J.Ventura (editors), *The Journal of Learning and Intellectual Capita*, Emerald Group
69. Freeman, R.E. (1984). *Strategic Management, A Stakeholder Approach*. London: Pitman.
70. Gardner, W. & Martinko, M. (1996). Using the Myers-Briggs Type Indicator to Study Managers: A Literature Review and Research Agenda. *Journal of Management*, 22 (1), 45-83
71. Garratt, B. (1995). *Developing Strategic Thought- Rediscovering the Art of Direction- Giving*, London: McGraw-Hill.
72. Gold, M. (1992). Research Notes and Communications Design, Learning and Planning: A Further Observation on the Design School Debate. *Strategic Management Journal*, 13 (2), 169-171.
73. Goldman, E. (2005). *Becoming an Expert Strategic Thinker: The Learning Journey of Healthcare CEOs*. Washington: Faculty of Graduate School of Education and Human Development, George Washington University.

74. Goold, M. (1992). Research notes and communications design, learning and planning; a further observation on the design school debate. *Strategic Management Journal*, 13 (2), 169-171.
75. Gosling, J. & Mintzberg, H. (2003). The five minds of a manager. *Harvard Business Review*, November, 1-9.
76. Graetz, F. (2002). Strategic thinking versus strategic planning: towards understanding the complementarities. *Management Decision*, 40 (5), 456-462
77. Graham, B., Dodd D. (1996). *Security Analysis: The Classic*. McGraw-Hill.
78. Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33 (3), 114-35.
79. Grant, R.M (2003). Strategic planing in a turbulent environments: evidence from oil majors. *Strategic Management Journal*, 24, 491-517.
80. Haberberg, A. & Rieple, A. (2001). *The Strategic management of Organizations*, Arlow: Prentice Hall.
81. Hair, J., Black, W., Babin, B., Anderson, R., Tatham, R. (2005). *Multivariate Data Analysis*. New Jersey: Pearson Prentice Hall.
82. Hamel, G. & Prahalad, C.K. (1989). Strategic intent. *Harvard business review*, May/June, 63-76.
83. Hamel, G. & Prahalad, C.K. (1994). *Competing for the Future*. Boston: Harvard Business School Press.
84. Hamel, G. (1996). Strategy as revolution. *Harvard business review*, 74 (4), 69-76.
85. Hampden-Turner, C. (1993). *Dilemmas of Strategic Learning Loops* in Hendry, J., Johnson, G., Newton Julia. (1993). *Strategic Thinking, Leadership and the Management of Change*. Chichester. John Wiley and Sons.
86. Hannan, M. T. & Freeman, J. (1984). Structural inertia and organizational change. *American Sociological Review*, 49
87. Hannan, M.T. & Freeman, J. (1977). *The Population Ecology of Organization*
88. Hart, S. & Banbury, C. (1994). How strategy-making processes can make a difference. *Strategic management journal*, 15 (4), 251-269.
89. Hayes, R.H. (1985). Strategic planning- forward in reverse? *Harvard Business Review*, November/December
90. Henden, G. (2004). *Intuition and its role in strategic thinking*. Norwegian School of management. PhD thesis.
91. Henderson, B. (1989). The Origin of Strategy. *Harvard Business Review*, November/December, 139- 143.
92. Heracleous, L. (1998). Strategic thinking or strategic planning. *Long Range Planning*, 31, 481-487.
93. Hitt, M., Ireland, R.R., Camp, M.S. & Sexton, D.L. (2006). *Strategic Entrepreneurship: Creating a New Mindset*. Oxford: Blackwell Publishing.
94. Hogarth, R. M. & Makridakis, S. (1981). Forecasting and planning: an evaluation. *Management Science*, 27, 115-138.
95. Hoskisson, R.E., Hitt, M.A., Wan, W.P. & Yu, D. (1999). Theory and Research in Strategic Management: Swings of a Pendulum. *Journal of Management*, 25 (3), 417-456.
96. Hull, C.E. & Rothenberg, S. (2008). Firm performance: the interactions of corporate social performance with innovation and industry differentiation. *Strategic Management Journal*, 781-789
97. Improving strategic planning: McKinsey Survey (2006). *The McKinsey Quaterly*, July/August

98. Jacobs, T. Owens (1994). *A Guide to the Strategic Leader Development Inventory*. Washington: National Defense University Industrial College of the Armed Forces, 39
99. Jelenc, L. (2004). *Škole strateškega menadžmenta koje najviše utječu na praksu srednjih i velikih poduzeća Primorsko-goranske županije*. Master thesis, Ljubljana: University of Ljubljana.
100. Jelenc, L. (2005). Researching the Characteristics of the Classical School of Strategic Management in the Companies of the Primorsko-goranska County. *Ekonomski pregled*, 11 (56), 1051-1078.
101. John, R.R. (1997). Elaborations, Revisions, Dissents: Alfred D. Chandler, Jr's The Visible Hand after Twenty Years. *Business History Review*, Summer, 71
102. Johnson, G. & Scholes, K. (1999). *Exploring corporate strategy, text and cases*. Englewood Cliffs: Prentice Hall.
103. Johnson, G. (1987). *Strategic Change and Management Process*. New York: Basil Blackwell
104. Jung, C.G. (1971). *Psychological types*. (H.G. Baynes, trans., revised by R.F.C. Hull) Princeton: Princeton University Press (Original work published 1923).
105. Kahneman, D., Slovic, P., Tversky, A. (1982). *Judgment under uncertainty: Heuristics and biases*. New York: Cambridge University Press.
106. Kaufman, R. & Griese, P. (1995): *Auditing your educational strategic plan*. Thousand Oaks: Corwin Press.
107. Kaufman, R. (1992). *Mapping Educational Success*. Newbury Park: Corwin Press Inc.
108. Klein, J. (2001). *A Critique of Competitive Advantage*. Paper presented at the: Critical Management Studies Conference, July 2001. Manchester: University of Manchester.
109. Knauss, D. (2003). *Umijeće ratovanja za menadžere*, Zagreb: Binoza Press.
110. Koontz, H. & Weihrich, H. (1988). *Management*. New York: McGraw – Hill.
111. Kuhn, T. (1996). *The Structure of Scientific Revolutions*. (3rd ed.) Chicago: University of Chicago Press.
112. Kvale, S. (1995). The Social Construction of Validity. *Quantitative Inquiry*, 1 (1), 19-40.
113. Lado, A., Boyd, N., Wright, P. and Kroll, M. (2006). Paradox and theorizing within the resource-based view. *Academy of Management Review*, 31, 115–131.
114. Lamberg, J. & Parvinen, P. (2003). The River Metaphor for Strategic Management. *European Management Journal*, 21 (5), 549-557.
115. Langlois, R.N. & Foss, N.J. (1999). Capabilities and Governance: the Rebirth of Production in the Theory of Economic Organization. *Kyklos*, 52 (2), 201-218.
Leadership. Chicago, (28) 1
116. Learned, E.P., Christensen, C.R., Andrews, K.R. & Guth, W.D. (1965). *Business Policy, Text and Cases*. Homewood: Irwin.
117. Liedtka, J.M. & Rosenblum, J.W. (1996). Shaping Conversations: Making Strategy, Managing Change. *California Management Review*
118. Liedtka, J.M. (1998). Strategic Thinking: Can it be Taught? *Long Range Planning*, 31 (1)
119. Liedtka, J.M. (2000). Strategic planning as a contributor to strategic change: a generative model. *European Management Journal*, 18 (2), April, 195-206.
120. Lindblom, C.E. & Braybrooke, D. (1963). *A Strategy of Decision*. New York: Free Press.
121. Lindblom, C.E. (1959). The Science of Muddling Through. *Public Administration Review*, 19, 79-88.
122. Lorange, P. (1979). Formal planning System; Their role in Strategy Formulation and Implementation. In D.E. Schendel & C W. Hofer (Eds.), *Strategic Management, a New View of Business Policy and Planning*. Boston: Little Brown.
123. Lumpkin, G., Dess, G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21, 135-172.

124. Mahoney, J.T. (2002). The Relevance of Chester I. Barnard's Teachings to Contemporary Management Education: Communicating the Aesthetics of Management. *International Journal of Organizational Theory and Behavior*, 5 (1-2), 159-172.
125. Mason, R.M. (1993). *Strategic information systems: Use of information technology in a learning organization*. Proceedings of the Twenty-Sixth Hawaii International Conference on System Sciences '93, CA: IEEE Press, 840-849.
126. Mauri, A. & Max, M. (1998). Industry Effects Within Strategic Management Management: An Empirical Examination. *Strategic Management Journal*, 19(3), 211-219.
127. McGuire, W. & Hull, R.F.C. (Eds.). (2005). *Jung Speaking*. Princeton, Princeton University Press, 305
128. McKelvey, B. & Aldrich, H. (1983). Populations, Natural selection, and applied organizational science. *Administrative Science Quarterly*, 28, 101-129.
129. McKiernan, P. (1996). *Historical Evolution of Strategic Management, Vol.I*. Aldershot: Dartmouth.
130. McKiernan, P. (1996). *Historical Evolution of Strategic Management, Vol.II*. Aldershot: Dartmouth.
131. McKiernan, P. (1997). Strategy past: Strategy futures. *Long Range Planning*, 30 (5), 790-798.
132. Mellahi, K. & Wilkinson, A. (2004). Organizational failure: a critique of recent research and a proposed integrative framework. *International Journal of Management Reviews*, (5-6) 1, 21-41.
133. Mencer, I. & Jelenc, L. (2006). The Influence of the Environmental School of Strategic Management on the Croatian Firms in the Primorsko – Goranska County. *Third International Conference of the School of Economics and Business in Sarajevo, ICES 2006, From Transition to Sustainable Development: The path to European Integration*. Sarajevo: School of Economics and Business, 326-327.
134. Mencer, I. & Jelenc, L. (2007). Evolution of Strategic Management: Toward Strategic Thinking Era. In M. Cingula (Ed.), *6th International Symposium: Economy and Business 2007*. International Scientific Publication, 1, Bourgas : Science Invest, 552-564.
135. Mencer, I. (2003). *Strateški menadžment i poslovna politika*. Rijeka: Vitagraf.
136. Menkes, J. (2005). *Executive Intelligence*. New York: Collins.
137. Meyer, D., Neck, H. & Meeks, M. (2002). *The Entrepreneurship – strategic management interface*, 19-44 In Hitt, M., Ireland, D., Camp, M. & Sexton D. (Eds.). (2006) *Strategic Entrepreneurship: Creating a New Mindset*. Oxford: Blackwell.
138. Meyer, J.W. & Rowan, B. (1977). Institutionalized organizations: formal structure as myth and ceremony. *American journal of sociology*, 83, 340-363.
139. Mezas, J., Grinyer, P., Guth, W. (2001). Changing Collective Cognition: A process model for strategic change. *Long Range Planning*, (34) 1, February, 71-95.
140. Michael, J. (2003). Using the Myers- Briggs Type Indicator as a tool for leadership development? Apply with Caution. *Journal of Leadership and Organizational Studies*, 10 (1), Summer, 68- 81.
141. Mintzberg H. (1973). Strategy-Making in Three Modes. *California Management Review*, XVI, 44-53.
142. Mintzberg H. (1978). Patterns in strategy formulation. *Management Science*, 24, 934-948.
143. Mintzberg H. (1983). *Power In and Around Organization*. Englewood Cliffs: Prentice Hall.
144. Mintzberg, H. & Quinn, J.B. (1992). *The Strategy Process Concepts and Context*. Englewood Cliffs: Prentice Hall.
145. Mintzberg, H. (1981). What is Planning Anyway? *Strategic Management Journal*, 2, 319-324.
146. Mintzberg, H. (1987). Five P's for Strategy. *California Management Review*, June

147. Mintzberg, H. (1990). The Design School: Reconsidering the Basic Premises of Strategic Management. *Strategic Management Journal*, 11 (3), March/April
148. Mintzberg, H. (1991). Learning 1, Planning 0 Reply to Igor Ansoff. *Strategic Management Journal*, 12, 463-466.
149. Mintzberg, H. (1994). The Fall and Rise of Strategic Planning, *Harvard Business Review*, January/February, 72 (1), 107- 114.
150. Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998). *Strategy Safari, A Guided Tour Through the Wilds of Strategic Management*. New York: The Free Press.
151. Mintzberg, H., Raisinghani, D. & Théoretet, A. (1976). The Structure of "Unstructured" Decision Processes. *Administrative Science Quarterly*, June
152. Morgan, S.L.L. (1998). *The Strategic Knowledge Indicator*. Cincinnati: The Union Institute
153. Myers, J.H. & Mullet, G.M. (2003). *Managerial Applications of Multivariate Analysis in Marketing*. Chicago: American Marketing Association, 395
154. Nadler, D.A. (1994). Collaborative strategic thinking. *Planning Review*, 22 (5), 30-31.
155. Nasi, J. (Ed.). (1991). *Arenas of strategic thinking*. Helsinki: Foundation for Economic Education.
156. Neilson, G., Martin, K., Powers, E. (2008). The Secrets to Successful Strategy Execution. *Harvard Business Review*, June, 63-74.
157. Nevis, E., DiBella, A., Gould, J. (1995). Understanding Organizations as Learning Systems. *Sloan Management Review*, 36(2), 75-85.
158. Newman, W. & Logan, J. (1971). *Strategy, Policy, and Central Management*. (6th ed.) Cincinnati: South- Western Publishing
159. Nunnally, J.C. (1978). *Psychometric Theory*. (2nd ed.) , New York: McGraw – Hill.
160. Nunnally, J.C. (1967). *Psychometric Theory*. (1st ed.) New York: McGraw – Hill.
161. Nunnally, J.C. (1994). *Psychometric Theory*. (3rd ed.) New York: McGraw – Hill.
162. Ohmae, K. (1982). *The mind of the strategist*. New York: McGraw – Hill.
163. O'Shannassy, T. (2001). Lessons from the evolution of the strategy paradigm. *Journal of the Australia and New Zealand Academy of Management*, 7 (1), 25-37.
164. O'Shannassy, T. (2003). Modern strategic management: balancing strategic thinking and strategic planning for internal and external stakeholders. *Singapore Management Review*, 25 (1), 53-67.
165. Parikh, J., Lanken, A., Neubauer, F. (1994). *Intuition: The New Frontier of Management*. Wiley-Blackwell.
166. Pellegrino, K. (1996). *Strategic Thinking Ability: Cognitive and Personality Effects*. PhD, College of Business Administration, Louisiana Tech University.
167. Pellegrino, K., Carbo, J. (2001). Behind the mind of the strategist. *The TQM Magazine*, 13 (6), 375-380.
168. Penrose, E. T. (1959). *The Theory of the Growth of the Firm*. New York: Wiley.
169. Peter, P. (1979). Reliability, A Review of Psychometric Basic and Recent Marketing Practices. *Journal of Marketing Research*, 16, February, 6-17.
170. Peterson, R. (1994). A Meta-analysis of Cronbach's coefficient alpha. *Journal of Consumer Research*, 21 (2), September, 381-391. Chicago: University of Chicago Press.
171. Pettigrew, A. M. (1992). The character and significance of strategy process research. *Academy of management Review*, 13
172. Pettigrew, A.M. (1977). Strategy formulation as a political process. *International Studies of Management and Organization*, Summer, 78-87.
173. Popović, Ž. & Vitezić, N. (2000). *Revizija i analiza, instrumenti uspješnog donošenja poslovnih odluka*. Zagreb: RRIF, 457

174. Porter E. M. (1996). What is Strategy? *Harvard Business Review*, November/December, 61-78.
175. Porter, M. (1985). *Competitive advantage: Creating and sustaining superior performance*. New York: Free Press.
176. Porter, M. (1987). Corporate strategy: the state of strategic thinking. *The Economist*, May 23, 21-28.
177. Porter, M.E. (1979). How Competitive Forces Shape Strategy. *Harvard Business Review*, 57 (2), March/April, 137-145.
178. Porter, M.E. (1980). *Competitive Strategy*. New York: The Free Press.
179. Porter, M.E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press. (Republished with a new introduction, 1998.)
180. Porter, M.E. (1991). Towards a Dynamic Theory of Strategy. *Strategic Management Journal*, Winter
181. Prahalad, C. K. & Hamel, G. (1990). The Core Capability of the Corporation. *Harvard Business Review*, 6, 79–93.
182. Priem, R.L. & Butler, J.E. (2001). Tautology in the resource-based view and the implications of externally determined resource value: further comments. *Academy of Management Review*, 26 (1), 57-65.
183. Prodan, I. (2007). Technological entrepreneurship : technology transfer from academia to new firms. PhD. Ljubljana: Faculty of Economics, University of Ljubljana
184. Pučko, D., Čater, T. (2008). *What effective strategy implementation depends on: the experience of Slovenian companies*. An Enterprise Odyssey: Tourism –Governance and Entrepreneurship. Cavtat: University of Zagreb, Faculty of Economics and Business, Croatia, June 11-14, 1220-1234.
185. Quinn, J.B. (1978). Strategic change: Logical Incrementalism. *Sloan Management Review*, Fall, 7-21.
186. Quinn, J.B. (1980). *Strategies for Change: Logical Incrementalism*. Homewood: Irwin. rationality. *Studies in the History and Philosophy of Science*, 32(3)
187. Robert, M. (2006). *The New Strategic Thinking, Pure and Simple*. New York: McGraw – Hill.
188. Rosche, A.L.H.W. (2003). *Personality correlates of strategic thinking in an organizational context*. Faculty of the California School of Organizational Studies, Alliant International University
189. Roth, K. & Ricks, D.A. (1994). Goal Configuration in a global industry context. *Strategic management journal*, 15, 103-120.
190. Rumelt, R. (1994). Invited Forward to Hamel, G. & Hene, A., (ed.) *Strategic Thinking—Capability Based Competition*, Sussex, England: John Wiley & Sons, xv-xix.
191. Rumelt, R. P. (1974). *Strategy, Structure and Economic Performance*. Boston: Harvard University Press.
192. Rumelt, R.P. (1980). The Evaluation of Business Strategy. in Glueck, W. F.(1980). *Business Policy and Strategic Management*. (3rd ed.). New York: McGraw-Hill. Reprinted in Quinn, J., Mintzberg, H., Robert J. (1988). *The Strategy Process*, Englewood Cliffs: Prentice-Hall, 1988
193. Rumelt, R.P. (1991). How much does industry matter? *Strategic Management Journal*, 12 (3), 167-185.
194. Schendel, D. E. & Hofer, C. W. (Eds.). (1979). *Strategic Management: A New View of Business Policy and Planning*. Boston: Little Brown & Co.
195. Schumpeter, J.A. (1934). *The Theory of Economic Development*. London: Oxford University Press.

196. Schumpeter, J.A. (1947). The creative response in economic history. *Journal of economic history*, November, 149-159.
197. Selznick, P. (1957). *Leadership in Administration*. New York: Row, Peterson & Co., 154
198. Senge, P. (1990). *The Fifth Discipline*. Cambridge: Sloan School of Management.
199. Service, R.W. (2006): The Development of strategic intelligence: A Managerial Perspective. *International Journal of Management*, 23 (1), March, 61-77.
200. Shane, S., Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of management review*, 25(1), 217-226.
201. Simon, H.A. (1997). *Administrative Behavior, A Study of Decision-Making Processes in Administrative Organizations*. (4th ed.) New York: The Free Press.
202. Simon, H.A. (2001). On simulating Simon: His monomania, and its sources in bounded
203. Skandia (1994). *Visualizing Intellectual Capital in Skandia*, a supplement to Skandia's Annual Report.
204. Slywotzky, A., Morrison, D. (2000). Pattern Thinking: a Strategic Shortcut. *Strategy and*
205. Smircich, L., & Stubbart, C. (1985). Strategic Management in an enacted world.
206. Stacey, R. (1992). *Managing Chaos, Dynamic Business Strategies in an Unpredictable World*. London: Kogan Page.
207. Stacey, R. (1993). *Strateški menadžment i organizacijska dinamika*. Zagreb: Mate.
208. Stacey, R. (1996). Emerging strategies for a chaotic environment, *Long Range Planning*, 29, 182-189.
209. Starbuck, W. Miliken, F. (1988). Challenger-Fine-Tuning the Odds until Something Breaks, *Journal of Management Studies*, 25, 319-340.
210. Steiner, G. (1969). *Top Management Planning*. Toronto: Collier-Macmillian.
211. Steiner, G.A. (1979). *Strategic Planning, What Every Manager Must Know*. New York: The Free Press.
212. Steiner, G.A., Miner, J.B. & Gray E.R. (1982). *Management policy and strategy*. (2nd ed.) New York: Macmillan .
213. Streiner, D.L. & Norman, G.R. (2003). *Health Measurement Scales A Practical Guide to their Development and Use*. New York: Oxford University Press Inc, 64-65.
214. Suarez, F., Lanzola, G. (2005). The half-truth of first-mover advantage, *Harvard Business Review*, 83(4), 121-128.
215. Swailes, S. & McIntyre-Bhatty, T. (2002). The "Belbin" team role inventory; reinterpreting reliability estimates. *Journal of Managerial Psychology*, 17 (6), 529-536.
216. Torset, C. (2001). *Strategic Thinking: Why, What, and How?, An Organizational Model of Strategic Thinking*. Lyon: EGOS XVIIth Colloquium, The Odyssey of Organizing, July 5-7
217. Venkataraman, N. Ramanujam. V. (1986). Measurement of Business Performance in Strategy. Research: A Comparison of Approaches. *Academy of Management Review*, 1 (1986), 801-814.
218. Von Ghyczy, T. (2003). The Fruitful Flaws of strategy Metaphors. *Harvard Busienss Review*, September, 86-94.
219. Voss, K.E., Stem, D.E. & Fotopoulos, S. (2000). A comment on the relationship between coefficient alpha and scale characteristics. *Marketing letters*, 11 (2), 177-191.
220. Wack, P. (1985). Scenarios, Uncharted Waters Ahead. *Harvard Business Review*, September-October, 73-89 .
221. Webster, W. & Luehe, B. (1992). *The Principal and Strategic Planning. Elementary Principal Series No.9*. Bloomington: Phi Delta Kappa Educational Foundation.
222. Weick, K. (1993). The collapse of sensemaking in organizations: The Mann Gulch.
223. Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, 5 (2), 171-180.

224. Whittington, R. (1993). *What is Strategy and does it matter*. London: Routledge.
225. Whittington, R. (1996). Strategy as Practice. *Long Range Planning*, 29 (5)
226. Whittington, R. (2002). The work of strategizing and organizing: for a practice perspective. *Strategic Organization*, 1(1)
227. Wildavsky, A. (1973). If Planning is Everything Maybe it's nothing. *Policy Sciences*, 4, 127-153.
228. Wilson, I. (1994). Strategic Planning is not Dead – It Changed. *Long Range Planning*, 27 (4)
229. Wootton, S. & Horne, T. (2005). *Strategic Thinking, A step-by-step Approach to Strategy*. (2nd ed.) London: Kogan Page.

SOURCES

230. Croatian Agency for the Control of Financial Services, <http://www.crosec.hr/jik/default.asp>, 16.06.2007
231. Garson, (2008). Structural Equation Modeling, <http://faculty.chass.ncsu.edu/garson/PA765/structur.htm>, 3.11.2008.
232. Law of Accounting. (2005). <http://www.nn.hr>, Law of Accounting (Zakon o Računovodstvu, NN/2005, Article 17), 16.06.2007
233. MBTI Basics, <http://www.myersbriggs.org/my-mbti-personality-type/mbti-basics/>, 13.04.2007
234. Petersen, V. (2006). MBTI- distorted reflections or personality? Department od Management. CREDO.<http://www.hha.dk/man/cmsdocs/WP/2006/2006-05.pdf>, 20.04.2008
235. Psihometrija, skripta, Filozofski fakultet u Rijeci, Odsjek za psihologiju, 2001/2002
236. Registar poslovnih subjekata, <http://www.hgk.hr>, 18.8.2005
237. Smith, M. K. (2001). Chris Argyris: theories of action, double-loop learning and organizational learning. *The encyclopedia of informal education*, www.infed.org/thinkers/argyris.htm. 20.04.2008
238. Smith, M. K. (2003). Michael Polanyi and tacit knowledge, *The encyclopedia of informal education*, www.infed.org/thinkers/polanyi.htm. 20.10.2008.
239. Steinar, K., (1995). Institute of Psychology, In *Qualitative Inquiry*, 1 (1), 19-40. <http://www.ped.gu.se/biorn/phgraph/misc/constr/validity.html>, 16.06.2007
240. *What does Cronbach's alpha mean?* <http://www.ats.ucla.edu/stat/spss/faq/alpha.html>, visited on 20.04.2008.
241. Writing Guides Reliability & Validity, <http://writing.colostate.edu/guides/research/relval/com2b2.cfm>, 13.04.2007
242. http://en.wikipedia.org/wiki/Cronbach's_alpha, 20.04.2008
243. <http://www.boomspeed.com/zsnp/mbti.htm>, 13.04.2007
244. <http://www.themanager.com>, 13.04.2007
245. http://www.12manage.com/methods_organizational_learning.html, 13.04.2007

APPENDIX I LIST OF PREMISES AND THEIR CODES

Code	Num.	Premise
Asystem1	1.	I insist on fulfilling each of the department's plan
Asystem2	2.	Top management is responsible for 85% of the mistakes in the firm.
Asystem3	3.	There are disputes and misunderstandings between the departments in the firm.
Asystem4	4.	While running a business we emphasize processes.
Bhypo5	5.	I always question myself «if a problem occurs, what are we going to do? » and try to work on the solution.
Bhypo6	6.	When planning, I work together with my team on several possible scenarios.
Bhypo7	7.	I often question the logic of commonly agreed facts.
Bhypo8	8.	When taking a decision, I try to think about the worst and the best possible option.
Cfocus9	9.	There is an optimistic atmosphere within the firm.
Cfocus10	10.	Our strategy is similar to the strategy of our competitors.
Cfocus11	11.	Sometimes the compromises we are forced to do contradict our goals.
Cfocus12	12.	Others' missions and visions are alike, but so are ours.
Dtime13	13.	There have been many mistakes and we are now trying to correct them.
Dtime14	14.	I devote more time to current problems than to strategic decisions and plans.
Dtime15	15.	Our future depends on others, not on us.
Dtime16	16.	I react rather than act proactively.
Eprofcom17	17.	I consciously separate operative and strategic activities.
Eprofcom18	18.	I reserve time for making plans about the future orientation of the firm.
Eprofcom19	19.	I am well informed about and I comprehend the technical processes in the firm.
Eprofcom20	20.	I follow/keep up with the literature on management and leadership.
Eprofcom21	21.	I try to implement some of the advice found in the relevant literature.
Eprofcom22	22.	I enhance my knowledge about firm's strategic management.
Fconflex23	23.	Changes occur very often in the companies' plan.
Fconflex24	24.	I boost, develop and support differences in the views of the subordinates.
Fconflex25	25.	I am aware that I make decisions based on just a few pieces of information that may or may not be perfect.
Fconflex26	26.	I do everything in my power to avoid surprises in planning and business in general.
Fconflex27	27.	When confronted with an obstacle, I switch to an alternative plan.
Fconflex28	28.	The owners and the Board of Directors pressure us to achieve results.
Gfuture29	29.	I have a clear vision of this firm.
Gfuture30	30.	The future of this firm depends solely on the owner's decisions (private owner or state).
Gfuture31	31.	Contradictory results of analysis do not block strategic decisions.
Gfuture32	32.	Departments in the firm concentrate their efforts on themselves rather than on the firm in general.
Gfuture33	33.	Employees are familiar with the firm's mission, vision, and strategy.
Hpolsens34	34.	Sometimes it is wiser to comply with the advice coming from the political power outside the firm than with the logics of business within the firm.
Hpolsens35	35.	The final strategy depends on the strength of the interest groups within the firm.
Hpolsens36	36.	I am interested in broader social and political issues.

Continue on the next page

Continue		
Code	Num.	Premise
Hpolsens37	37.	I personally involve myself in the politically sensitive situations in the firm.
Intuit38	38.	I follow intuition when taking a strategic decision.
Intuit39	39.	When taking a decision, my “guts” feeling is the decisive element.
Intuit40	40.	I grasp the relations and patterns in confused and complex situations.
Jparadox41	41.	Top management very often bases decisions on experience.
Jparadox42	42.	I need a short period of time to comprehend the complexity of a problem we are facing.
Jparadox43	43.	If there are two opposing opinions, I decide which one is the most realistic.
Jparadox44	44.	Different attitudes and opinions result in higher quality solutions.
Jparadox45	45.	I sometimes change the decision based on colleagues’ influence.
Jparadox46	46.	Due to the complexity of the business environment, it is impossible to meet all the stakeholders’ requirements.
Jparadox47	47.	I am able to prioritize between long and short-term problems.
Jparadox48	48.	Disequilibrium and instability are not pleasant and I try to either avoid or ignore them.
Class49	49.	Strategic orientation derives from the analysis of external factors and factors within the firm.
Class50	50.	Managers working on strategic issues are specially educated for such a task.
Class51	51.	Good strategy is a prerequisite of business success.
Class52	52.	When we resolve problems, we select among several options in order to determine which solution is the most appropriate.
Class53	53.	In our firm, we do the planning by the book, i.e. step-by-step from formulation through implementation up to control.
Class54	54.	The say of the top manager or the top management team is the most dominating in the process of formulating the strategy.
Class55	55.	We use SWOT analysis.
Class56	56.	By forecasting, we provide some features needed for planning.
Class57	57.	Planning has to be formal and explicit.
Class58	58.	The plan is implemented by the strictly defined steps.
Class59	59.	Once formulated the plans do not change.
Envir60	60.	The firm has to pay attention to the drafts of laws and regulations.
Envir61	61.	The firm can only react to changes and adjust to new market demands.
Envir62	62.	The key of survival is to adapt to the environment.
Envir63	63.	Some sets of norms and values in the firm are not easily changed.
Envir64	64.	The firm has to follow the “rules of the game” set by others.
Envir65	65.	Only the most flexible survive.
Envir66	66.	Mentality and culture directly influence the firm.
Envir67	67.	We are too small to change the world.
Envir68	68.	The environment directly and to large extent influences our strategic direction.
Envir69	69.	The firm cannot do much if the opportunities in the environment oppose its success.
Envir70	70.	Firm receives the impetus to change from the environment.
Comp71	71.	We try to be the first to launch the product on the market in order to gain advantage.

Continue on the next page

Continue		
Code	Num.	Premise
Comp72	72.	Creativity is key factor in formulating strategy.
Comp73	73.	We focus our energy on the new challenges and not the problems from the past.
Comp74	74.	Strategy is the mix of intuition and wisdom.
Comp75	75.	We proactively create changes on the market.
Comp77	77.	The market is a battlefield where we fight our wars.
Comp78	78.	The most successful managers are the source of innovations and ideas that lead to changes.
Comp79	79.	Idea and work are crucial features of a successful business.
Comp80	80.	It is important for top manager to be charismatic.
Comp81	81.	We understand our competitors; therefore, we can forecast their reactions and behavior.
Comp82	82.	Intended strategy might change if market changes.
Comp83	83.	Team spirit and project approach to business create pleasant working atmosphere.
Contempor84	84.	Training and specialization is very important.
Contempor85	85.	A valuable part of our firm is the tacit knowledge (employees' knowledge that is hard to formalize).
Contempor86	86.	We work on building competitive advantages.
Contempor87	87.	Learning makes top managers successful.
Contempor88	88.	We do business only in the narrow segment in which we are the best.
Contempor89	89.	Dynamics of the business is the result of the way the top manager thinks.
Contempor90	90.	Dynamics of business is the result of the way the employees think.
Contempor91	91.	Intellectual capital is the most important source of strategy.

APPENDIX II THE QUESTIONNAIRE

University of Rijeka
Faculty of Economics
I. Filipovića 4
M.Sc. Lara Jelenc

Telephone: 051/ 355-111
Fax: 051/ 212 268

Rijeka, October 8, 2006

Dear Sir,

The aim of this questionnaire is to analyze and understand strategic thinking and approaches to strategic management, i.e. to analyze the way in which large firms in the Republic of Croatia develop their strategies.

The results of this study will give us a better understanding of how top managers in Croatia think strategically and how they approach strategy in the context of the competitiveness of Croatian economy.

It will take you only **15 minutes** of your valuable time to fill in the questionnaire. Your answers are **anonymous** and the data will only be used in its aggregated form. The filled questionnaire can be sent by e-mail or post to M.Sc. Lara Jelenc, Ekonomski fakultet Rijeka, Ivana Filipovića 4, 51 000 Rijeka.

If there are any additional questions, or suggestions please contact me by e-mail: ljelenc@efri.hr or cell phone 09x/ xxxxxx.

Thank you for your precious time and understanding!

Yours sincerely,

M.Sc. Lara Jelenc

Questionnaire

Part one

E-mail:

(in case you want to receive the study results in their aggregated form)

1. According to your opinion, who has the biggest influence in bringing the decisions about the strategic issues in your firm?

2. According to your experience, what are the most desirable features of a successful manager in Croatia?

3. You are the most competent in the field of:

4. What is the most determining factor in planning the future of the firm:

- a) Planning
- b) Organizing
- c) Human resources
- d) Leadership
- e) Control
- f) Other _____

- a) Business environment
- b) Firm capabilities
- c) Influence of the owner
- d) Competition
- e) Other _____

5. How often do you think about the future of your firm?

6. What has influenced your way of thinking about strategic development of your firm?

- a) Daily
- b) Few days a week
- c) Few hours a month
- d) Nothing of the above _____

7. How long have you been working on the current position?

8. Where did you work prior to your current position:

- a) Less than a year
- b) 2 to 5 years
- c) 6 to 10 years
- d) 11 years or more

- b) Inside the firm
- c) In a similar firm
- d) In a firm from a different industry

9. How do you see strategic thinking?

(e.g. What does it imply? How is it manifested?)

Part Two

Please circle the number that corresponds with your opinion about your firm according to the numbers:

- 1- No, I completely disagree. (This cannot be said for my firm.)
- 2- No, I do not agree. (But things happen.)
- 3- Yes, I somewhat agree. (There are certain exemptions.)
- 4- Yes, I definitely agree. (Our firm is a perfect example for this statement).

	Statements	No Yes			
1.	I insist on fulfilling each of the department's plan	1	2	3	4
2.	Top management is responsible for 85% of the mistakes in the firm.	1	2	3	4
3.	There are disputes and misunderstandings between the departments in the firm.	1	2	3	4
4.	While running a business we emphasize processes.	1	2	3	4
5.	I always question myself «if a problem occurs, what are we going to do? » and try to work on the solution.	1	2	3	4
6.	When planning, I work together with my team on several possible scenarios.	1	2	3	4
7.	I often question the logic of commonly agreed facts.	1	2	3	4
8.	When taking a decision, I try to think about the worst and the best possible option.	1	2	3	4
9.	There is an optimistic atmosphere within the firm.	1	2	3	4
10.	Our strategy is similar to the strategy of our competitors.	1	2	3	4
11.	Sometimes the compromises we are forced to do contradict our goals.	1	2	3	4
12.	Others' missions and visions are alike, but so are ours.	1	2	3	4
13.	There have been many mistakes and we are now trying to correct them.	1	2	3	4
14.	I devote more time to current problems than to strategic decisions and plans.	1	2	3	4
15.	Our future depends on others, not on us.	1	2	3	4
16.	I react rather than act proactively.	1	2	3	4
17.	I consciously separate operative and strategic activities.	1	2	3	4
18.	I reserve time for making plans about the future orientation of the firm.	1	2	3	4
19.	I am well informed about and I comprehend the technical processes in the firm.	1	2	3	4
20.	I follow/keep up with the literature on management and leadership.	1	2	3	4
21.	I try to implement some of the advice found in the relevant literature.	1	2	3	4
22.	I enhance my knowledge about firm's strategic management.	1	2	3	4
23.	Changes occur very often in the companies' plan.	1	2	3	4
24.	I boost, develop and support differences in the views of the subordinates.	1	2	3	4
25.	I am aware that I make decisions based on just a few pieces of information that may or may not be perfect.	1	2	3	4
26.	I do everything in my power to avoid surprises in planning and business in general.	1	2	3	4
27.	When confronted with an obstacle, I switch to an alternative plan.	1	2	3	4
28.	The owners and the Board of Directors pressure us to achieve results.	1	2	3	4
29.	I have a clear vision of this firm.	1	2	3	4
30.	The future of this firm depends solely on the owner's decisions (private owner or state).	1	2	3	4
31.	Contradictory results of analysis do not block strategic decisions.	1	2	3	4
32.	Departments in the firm concentrate their efforts on themselves rather than on the firm in general.	1	2	3	4
33.	Employees are familiar with the firm's mission, vision and strategy.	1	2	3	4
34.	Sometimes it is wiser to comply with the advice coming from the political power outside the firm than with the logics of business within the firm.	1	2	3	4
35.	The final strategy depends on the strength of the interest groups within the firm.	1	2	3	4
36.	I am interested in broader social and political issues.	1	2	3	4
37.	I personally involve myself in the politically sensitive situations in the firm.	1	2	3	4
38.	I follow the intuition in the moment of taking strategic decision.	1	2	3	4
39.	When taking a decision, my "guts" feeling is the decisive element.	1	2	3	4
40.	I grasp the relations and patterns in confused and complex situations.	1	2	3	4

Statements		No		Yes	
41.	Top management very often bases decisions on experience.	1	2	3	4
42.	I need a short period of time to comprehend the complexity of a problem we are facing.	1	2	3	4
43.	If there are two opposing opinions, I decide which one is the most realistic.	1	2	3	4
44.	Different attitudes and opinions result in higher quality solutions.	1	2	3	4
45.	I sometimes change the decision based on colleagues' influence.	1	2	3	4
46.	Due to the complexity of the business environment, it is impossible to meet all the stakeholders' requirements.	1	2	3	4
47.	I am able to prioritize between long and short-term problems.	1	2	3	4
48.	Disequilibrium and instability are not pleasant and I try to either avoid or ignore them.	1	2	3	4
49.	Strategic orientation derives from the analysis of external factors and factors within the firm.	1	2	3	4
50.	Managers working on strategic issues are specially educated for such a task.	1	2	3	4
51.	Good strategy is a prerequisite of business success.	1	2	3	4
52.	When we resolve problems, we select among several options in order to determine which solution is the most appropriate.	1	2	3	4
53.	In our firm, we do the planning by the book, i.e. step-by-step from formulation through implementation up to control.	1	2	3	4
54.	The say of the top manager or the top management team is the most dominating in the process of formulating the strategy.	1	2	3	4
55.	We use SWOT analysis.	1	2	3	4
56.	By forecasting, we provide some features needed for planning.	1	2	3	4
57.	Planning has to be formal and explicit.	1	2	3	4
58.	The plan is implemented by the strictly defined steps.	1	2	3	4
59.	Once formulated the plans do not change.	1	2	3	4
60.	The firm has to pay attention to the drafts of laws and regulations.	1	2	3	4
61.	The firm can only react to changes and adjust to new market demands.	1	2	3	4
62.	The key of survival is to adapt to the environment.	1	2	3	4
63.	Some sets of norms and values in the firm are not easily changed.	1	2	3	4
64.	The firm has to follow the "rules of the game" set by others.	1	2	3	4
65.	Only the most flexible survive.	1	2	3	4
66.	Mentality and culture directly influence the firm.	1	2	3	4
67.	We are too small to change the world.	1	2	3	4
68.	The environment directly and to large extent influences our strategic direction.	1	2	3	4
69.	The firm cannot do much if the opportunities in the environment oppose its success.	1	2	3	4
70.	Firm receives the impetus to change from the environment.	1	2	3	4
71.	We try to be the first to launch the product on the market in order to gain advantage.	1	2	3	4
72.	Creativity is key factor in formulating strategy.	1	2	3	4
73.	We focus our energy on the new challenges and not the problems from the past.	1	2	3	4
74.	Strategy is the mix of intuition and wisdom.	1	2	3	4
75.	We proactively create changes on the market.	1	2	3	4
77.	The market is a battlefield where we fight our wars.	1	2	3	4
78.	The most successful managers are the source of innovations and ideas that lead to changes.	1	2	3	4
79.	Idea and work are crucial features of a successful business.	1	2	3	4
80.	It is important for top manager to be charismatic.	1	2	3	4

	Statements	No	Yes
81.	We understand our competitors; therefore, we can forecast their reactions and behavior.	1	2 3 4
82.	Intended strategy might change if market changes.	1	2 3 4
83.	Team spirit and project approach to business create pleasant working atmosphere.	1	2 3 4
84.	Training and further education is very important.	1	2 3 4
85.	A valuable part of our firm is the tacit knowledge (employees' knowledge that is hard to formalize).	1	2 3 4
86.	We work on building competitive advantages.	1	2 3 4
87.	Learning makes the successful top manager.	1	2 3 4
88.	We do business only in the narrow segment in which we are the best.	1	2 3 4
89.	Dynamics of the business is the result of the way the top manager thinks.	1	2 3 4
90.	Dynamics of business is the result of the way the employees think.	1	2 3 4
91.	Intellectual capital is the most important source of strategy.	1	2 3 4

Part Three

1. The top manager is:

- a) Under 30 years old
- b) 31- 45 years old
- c) 46- 60 years old
- d) 61 and over

2. The top managers' level of education is:

- a) High school diploma
- b) College degree
- c) Faculty degree
- d) Masters or PhD degree

3. The firm has been in business:

- a) Less than three years
- b) 4 -10 years
- c) 11- 30 years
- d) 31 and over

4. Your firm active mainly in:

- a) Producing
- b) Offering services

5. You products/services are present on:

- a) Domestic markets (Croatia) _____
- b) Foreign markets _____
- c) Both a) and b) _____

6. Ownership structure of the firm is:

- a) Private _____
 - b) State _____
 - c) Both a) and b) _____
- 100 %

100%

7. Your current position in the firm: _____

Thank you very much for your effort and collaboration!

DOCTORAL DISSERTATION SUMMARY IN SLOVENE

UNIVERZA V LJUBLJANA
EKONOMSKA FAKULTETA

LARA JELENC

**VPLIVI ŠOL STRATEŠKEGA MANAGEMENTA IN STRATEŠKEGA
RAZMIŠLJANJA NA USPEŠNOST HRVAŠKE PODJETNIŠKE PRAKSE**

POVZETEK DOKTORSKE DISERTACIJE

Ljubljana, 2008

Doktorska disertacija opredeljuje področje poslovnih ved ter vključuje naslednjih pet poglavij: Uvod, Strateško razmišljanje kot predpostavka strateškega managementa, Šole strateškega managementa, Empirična raziskava vpliva šol strateškega managementa in strateškega razmišljanja na uspešnost hrvaške podjetniške prakse, Rezultati empirijske raziskave ter Sklep. V nadaljevanju povzeman vsebino posameznih poglavij.

1. Uvod

Prvi del disertacije predstavlja uvod v doktorsko disertacijo. V tem delu predstavljam problem in predmet disertacije, namen in cilje raziskovanja z znanstveno hipotezo ter uporabljene metode in znanstveni prispevek doktorskega dela. Na koncu pojasnujem strukturo doktorske disertacije.

Strateški management je znanstveno področje, ki pomaga najvišjemu poslovodstvu pri oblikovanju vizije podjetja in ciljev podjetja. Strateški management teži k združevanju in koordiniranju oddelkov, skupin, posameznikov in celotnega podjetja pri doseganju skupnih ciljev. Razdelitev dela znotraj podjetja, konkurenca, spremenljivost okolja podjetja, različnost interesov in dolgoročno pomanjkanje resursov oblikujejo različne ideje in odnose. Našteto nedvomno vpliva na dinamičnost in kompleksnost pri upravljanju podjetja. V takšnih okoliščinah so velika podjetja nosilci gospodarskega razvoja. Konkurenca na trgu sili podjetja k združevanju posameznikov in resursov. Strateški management čedalje bolj pridobiva na pomenu.

Namen doktorske disertacije je preveriti povezanost med strateškim razmišljanjem in pripadnostjo podjetja posameznim šolam strateškega managementa v velikih podjetjih Republike Hrvaške. Njihovo medsebojno povezavo sem primerjala z merili poslovne uspešnosti, s čimer sem utrdila primernost uporabe sestavin strateškega razmišljanja in šol strateškega managementa. Na ta način lahko opredelim izhodiščno točko kvalitativnih in kvantitativnih sestavin strateškega managementa ter tako spremljam njihovo razvojno pot.

Iz namena doktorske disertacije sem razvila njene cilje, ki jih opredeljujem v naslednje skupine:

- Pregled teoretičnih prispevkov strateškega razmišljanja in presoja pomembnosti, vloge in sestavin le-teh kot predpostavke strateškega managementa.
- Ugotovitev teoretičnih stališč in razmišljanja, ki jih zagovarjajo šole strateškega managementa. Različni avtorji in njihove, včasih nasprotujoče si ideje, je potrebno upoštevati kot dopolnitev teorije ter tako kritično presojati o njihovih stališčih. Poleg tega je potrebno ob različnih pogledih predstaviti natančen pregled dosedanjih idej in prispevkov na področju šol strateškega managementa.
- Z empiričnim raziskovanjem velikih podjetij v Republiki Hrvaški sem testirala obstoj teoretično postavljenih sestavin strateškega razmišljanja in šol strateškega managementa.

Poleg tega sem z empiričnim raziskovanjem primerjala povezanost sestavin strateškega razmišljanja in šol strateškega managementa z uspešnostjo podjetja.

Temeljna hipoteza doktorske disertacije je, **da lahko spoznanja o sestavinah in povezavah med strateškim razmišljanjem in šolami strateškega managementa z različnimi merili poslovne uspešnosti podjetja uporabimo kot izhodišče za razumevanje pristopa k učinkovitemu oblikovanju strateškega managementa in njegovih kvalitativnih in kvantitativnih sestavin v Republiki Hrvaški.**

Postavila sem tri skupine hipotez. Prva skupina se nanaša na strateško razmišljanje, druga na šole strateškega managementa in tretja na povezanost strateškega razmišljanja in šol strateškega managementa z vplivom na uspešnost podjetniške prakse.

2. Strateško razmišljanje kot predpostavka strateškega managementa

Drugo poglavje disertacije se ukvarja s strateškim razmišljanjem kot predpostavko strateškega managementa. Natančneje, govori o načinih opredelitve strateškega razmišljanja, pristopih pri razumevanju le-tega, odnosih med strateškim razmišljanjem in strateškim planiranjem, kot tudi o sestavinah, potrebnih za definiranje strateškega razmišljanja.

Termin strateško razmišljanje prinaša veliko nestrinjanja in nejasnosti na področju strateškega managementa. Čeprav je koncept strateškega razmišljanja prisoten v literaturi že preko četrto stoletja, se termin še vedno pogosto zamenjuje npr. s »strategijo«, »strateškim managementom«, »strateškim planiranjem« (Bonn, 2001; Liedtka, 1998). Strateško razmišljanje se uporablja v različnih konceptualnih okvirjih z znatnimi razlikami (Heracleous, 1998; Liedtka, 1998, 2000; Graetz, 2002; Bonn, 2001, str. 63; O' Shannassy, 2003, str.54).

Stroka je mnenja, da strateško razmišljanje implicitno obstaja pri strateškem planiranju in strateških modelih. Le-ta verjame, da je strateško razmišljanje tako samoumevno in zaznavano kot naravna sestavina strategije, ki ne more biti nadomeščena z različnimi metodami, tehnikami ali programsko opremo. Strateško razmišljanje je nenadomestljiva aktivnost človeških možganov. Top managerji naj ne bi nadomestili svojega strateškega razmišljanja z različnimi orodji, temveč naj bi jih uporabljali le kot metodo za izboljšanje strateškega razmišljanja. Raziskovanje strateškega razmišljanja predstavlja izziv, saj je težko izmeriti njegovo bistvo (Rosche, 2003, str.1). Zato so se pojavile mnoge interpretacije vsebine, metod učenja in izboljšanja te veščine. Na podlagi različnih definicij strateškega razmišljanja predlagam sledečo definicijo: »strateško razmišljanje je proces, pri katerem posameznik zaznava, čuti, dojema, sprejema in odraža signale, ki lahko vplivajo na prihodnji razvoj podjetja. Pri tem si posameznik izoblikuje določene občutke, vtise in stališča, v skladu s katerimi se obnaša«.

Strateško razmišljanje kot sposobnost proučujem na sledečih nivojih (Bonn, 2005): značilnosti posameznika, skupine in podjetja. Ključen pri strateškem razmišljanju je posameznik, vendar ta pride do izraza šele na nivoju organizacije (Liedtka, 1998, 1999: Liedtka and Rosenblum, 1996).

Različni strateški teoretiki in praktiki so mnenja, da se je strateškega razmišljanja moč naučiti kot veščino in da postane navada (Beckam, 1991; Hanford, 1995; Liedtka, 1998; Ohmae, 1982, Pearson, 1990). Vsakodnevna vaja privede do navade; posameznik sprejme ta način učenja kot mentalno vajo. Strateško razmišljanje je logična poglobitev individualnega razmišljanja, preusmeritev dolgoročne filozofije podjetja v prakso. Torset (Torset, 2001) predlaga enega od možnih pristopov za razumevanje strateškega razmišljanja. Prvi pristop je nihilistično strateško razmišljanje. Porter pristopa k strateškemu razmišljanju kot konkurenčni analizi podjetja (Porter 1987, 1996 povz. po Torset, 2001, str.13). Orodje za analizo koristi za spodbujanje strateškega razmišljanja s ciljem pridobitve boljše konkurenčnosti. Drugi pristop je strateško razmišljanje kot semantična evolucija. Avtorji slednjega pogosto zamenljivo uporabljajo s strategijo ali strateškim planiranjem. Tretji pristop je "neplanski" in predstavlja poseben način razmišljanja z določenimi značilnostmi, ki se bistveno razlikujejo od strateškega planiranja (Mintzberg, 1994 povz. po Torset, 2001, str.15).

Strateško razmišljanje pogosto primerjamo s strateškim planiranjem. Vsi drugi vidiki strateškega managementa so precej oddaljeni od bistva strateškega razmišljanja in tako niso primerljivi. Prvi vidik je, da je strateško planiranje enako strateškemu razmišljanju. Raziskovalci dojemajo strateško razmišljanje na enak način kot strateško planiranje. Besedo *strateško razmišljanje* uporabljajo namesto planiranja (in obratno), ne da bi se spremenil njihov pomen. Drugi vidik vključuje dva pogleda. Prvi pravi, da je namen strateškega planiranja izboljšati strateško razmišljanje, drugi pa, da se je strateško planiranje razvijalo skozi čas v strateško razmišljanje. Tretji vidik smatra, da se strateško razmišljanje in planiranje medsebojno izključujeta.

»Formalni« strateški management je nezdružljiv s pravim strateškim razmišljanjem (Mintzberg, 1994, str.114). Skleпам, da gre za komplementaren odnos med strateškim razmišljanjem in planiranjem. S povečevanjem števila raziskav s tega področja postaja razlika med njima očitnejša.

Skupina raziskovalcev poizkuša razliko med strateškim razmišljanjem in planiranjem napraviti oz. predstaviti očitnejšo. Bistvena razlika med njima je, da se planiranje nanaša na programiran, analitičen miselni proces; strateško razmišljanje pa se nanaša na kreativen, divergenten miselni proces. Heracleous (Heracleous, 1998) razlikuje strateško planiranje kot »učenje z eno zanko« (»single-loop learning«), strateško razmišljanje pa kot »učenje z dvojno zanko« (»double-loop learning«) (Argyris, 1992).

Čeprav mnogi raziskovalci omenjajo strateško razmišljanje, so samo nekateri raziskovali bistvo strateškega razmišljanja. Najbolj uveljavljena avtorja sta Jeanne Liedtka in Jacobs. Liedtka (Liedtka, 1998) definira pet sestavin, ki so značilni za strateško razmišljanje: sistemski pristop, strateški namen, inteligentni oportunitizem, razmišljanje v času, postavitev hipotez in testiranje. Najbolj izpopolnjena empirična študija strateških lastnosti se imenuje "*strategic leader development inventory*". Razvita je bila v sodelovanju fakultete vojaških sil "Industrial College of the Armed Forces", ameriškega vojaškega instituta "Army Research Institute" in ameriške vojaške fakultete "Army War College" ter testirana na različnih generacijah bodočih vojaških oficirjev in državnih uradnikov v managementu na strateški ravni. Bistvene sestavine te študije so (Jacobs, 1994, str. 13): konceptualna fleksibilnost, politična senzibilnost, dolgoročna perspektiva, dojemljivost in kompleksno razumevanje. Sestavine strateškega managementa po Liedtki in Jacobsu sem empirično analizirala.

3. Šole strateškega managementa

Tretji del disertacije predstavlja koncept štirih šol strateškega managementa in njihove značilnosti s kritičnim pogledom nanje.

Z oblikovanjem različnih pogledov na vsebino strateškega razmišljanja in s kombinacijo letih se ustvarjajo možnosti opazovanja širokega spektra dejavnikov, zelenih in neželenih dogodkov ter konfliktov znotraj in izven podjetja, s katerimi se top manager vsakodnevno srečuje. Prav ti različni pogledi so prisotni v šolah strateškega managementa. Glede na številno literaturo (Mintzberg, 1994, Whittington, 1993, McKiernan, 1996, Chaffee, 1985, Mintzberg, Ahlstrand, Lampel, 1998, Haberberg, Rieple, 2001) o različnih pogledih na proces strateškega managementa sem predstavila nov, lasten, predlog razvrstitve šol strateškega managementa. Tako predlagam klasično, okoljsko, konkurenčno in sodobno šolo strateškega managementa (Jelenc, 2004).

Klasična šola strateškega managementa je skupni pojem za vse tiste ideje, ki predstavljajo zgodovinski temelj področja strateškega managementa. Znotraj klasične šole strateškega managementa lahko govorimo o konceptualni in planski razvojni fazi šole strateškega managementa. Konceptualna šola predstavlja osnovo za nadgrajevanje drugih idej in šol. Osnovna ideja te šole je vzpostavljanje skladnosti med zunanjim in notranjim okoljem. Christensen et. al. (1965) in Andrews (1971, 1987) opredeljujejo, kako je proces oblikovanja strategije kontroliran in premišljen ukrep.

Oseba, odgovorna za oblikovanje in implementacijo, je arhitekt–strateg oziroma top manager (Mintzberg, 1994). Konceptualna šola temelji na petih načelih (Andrews, 1982, Rumelt, 1984): neformalnosti, enostavnosti, jasnosti, kreativnosti in edinstvenosti pri odločanju stratega.

Oblikovanje strategije je proces prilagoditve podjetja okolju. Plansko šolo za razliko od konceptualne, določajo »formalni postopek, formalni trening in formalna analiza z mnogo števili« (Mintzberg, Ahlstrand, Lampel, 1998). V tem pomenu je potrebno uporabiti različne analize znotraj in izven podjetja, s katerimi se oblikujejo argumenti kot sestavine za plansko osnovo prihodnjega razvoja. »Predvideti in pripraviti se« (Ackoff, 1983) predstavlja začetek za planiranje prihodnosti podjetja. Cilji se tako definirajo bolj natančno, čemur sledi podrobna pojasnitev korakov, ki so strogo predpisani in časovno usklajeni ter programirani. Pri tem strategiji uporabljajo številne tehnike in metode, na podlagi katerih se poskušajo čim bolj objektivno odločati, prav tako pa pozornost usmerjati k uresničevanju strategij.

Okoljska šola strateškega managementa vsebuje vsa tista stališča, ki opredeljujejo, kako na proces strateškega managementa močno delujejo vplivi, ki se nahajajo v okolju podjetja. Le-te je potrebno dobro spoznati in predvidevati. Upoštevajoč ideje predstavnikov te šole ugotavljamo, da se vplivi iz okolja ne morejo spreminjati niti po moči in niti po značilnostih. Okoljska šola smatra, kako vplivi nastajajo v okolju, delujejo pa v podjetju ali vplivajo na podjetje in njegovo poslovanje. Podjetja uporabljajo prilagoditveno oziroma adaptivno šolo (Lindblom, 1973, Mintzberg, 1973) v odvisnosti na okolje, kjer se prilagajajo tako, da bi preživela. Politična šola ponazarja nasprotje med posameznimi interesnimi skupinami in med presojo posameznih skupin moči pri oblikovanju strategij (Pettigrew, 1977, Child, 1972, Simon, 1977). Kulturološka šola prikazuje skupek vrednot, prepričanaj in norm. S tem omogoča soočanje sestavin, ki so si po eni strani podobne, po drugi pa različne. Na ta način prihaja do možnosti različnega razmišljanja in poslovođenja. Sistemska šola (Whittington, 1993) smatra, da se obnašanje posameznika lahko pojasni s pripadnostjo posameznika določenemu sistemu, natančneje mreži družbenih odnosov, ki se nanašajo na družinske vezi, državo, profesionalno in poklicno ozadje, religijo in narodnost, spol in družbeni razred.

Konkurenčna šola strateškega managementa poudarja odkrivanje, doseganje in ohranjanje konkurenčne prednosti kot osnovni motiv, izvor energije in vzrok uspeha podjetja. Policijsko-analitična šola proučuje konkurenčnost na ravni industrijske panoge (Porter, 1979, 1980, 1991). Konkurenčnost na ravni podjetja pa lahko proučujemo s pomočjo podjetniške (Schumpeter, 1934, 1947) ali vizionarske šole (Drucker, 1970, Mintzberg, 1973); slednja poudarja posameznika in njegove sposobnosti. Šola, ki izhaja iz resursov in sposobnosti (Grant, 1991, Barney, 1991, Teece, 1990, Penrose, 1959, Prahalad in Hamel, 1990) pojasnjuje pomen sposobnosti, ki zaradi svojih značilnosti (vrednost, redkost, nezmožnost substitucije in kopiranja) lahko oblikujejo dolgoročne konkurenčne prednosti.

Sodobna šola strateškega managementa poudarja potrebo po medsebojnem razumevanju, upoštevajoč dejstvo, da konkurenčni boj zmanjšuje racionalnost poslovanja in tako slabi vse udeležence (Chaharbaghi, Willis, 1998). Zaradi tega so prioritete znanje, učenje in spoznanje, kako biti drugačen od drugih oziroma, kako sodelovati z drugimi in na ta način uspeti. Sodobna šola poudarja pomen učenja in spoznanja, kako bi se podjetja razlikovala od svojih konkurentov. V tem pomenu kognitivna šola (Wick, 1987, Smircicha, Stubbart, 1985) poskuša ugotoviti, na kakšen način se oblikuje strategija v procesu razmišljanja stratega. Učeča se šola (Cyert, March, 1963, Normann, 1977, Argyris, 1976, Senge, 1990) opredeljuje, kako se proces oblikovanja strategije kljub svoji kompleksnosti vseeno lahko oblikuje in obvlada skozi učenje.

Vsaka od teh šol ima svoje prednosti in slabosti. V disertaciji uporabljam tudi kritični pogled pri vsaki izmed naštetih šol.

4. Empirična raziskava vpliva šol strateškega managementa in strateškega razmišljanja na uspešnost hrvaške podjetniške prakse

Četrty del disertacije predstavlja metodologijo empiričnega raziskovanja, pojasnitev značilnosti vzorca, strukturo vprašalnika in sestavine za oblikovanje konstruktov strateškega razmišljanja in šol strateškega managementa ter njihove uspešnosti poslovanja. Pri tem se ukvarjam s statističnimi metodami.

Teoretično predstavljen del disertacije sem empirično testirala na vzorcu top managerjev velikih hrvaških podjetij. Jedro analize je bila percepcija top managerjev o šolah strateškega managementa in sestavinah strateškega razmišljanja. Splošno sprejeto je, da je top manager glavna odgovorna oseba pri planiranju, uresničevanju, kontroli in ocenjevanju procesa strateškega managementa. Baza podatkov, uporabljena za izbiro podjetij po kriteriju števila zaposlenih, je uradna baza podatkov hrvaške gospodarske zbornice (Hrvatska gospodarska komora, www.hgk.hr). V trenutku priprave baze za empirično raziskavo je le-ta zajemala 401 podjetij z minimalno 250-imi zaposlenimi. Pred empirično raziskavo sem izvedla pilotsko raziskavo na treh top managerjih in se posvetovala z dvema profesorjema strateškega managementa. Empirična raziskava je bila izvedena v času od oktobra 2006 do junija 2007; nanjo pa se je odzvalo 31,67 % respondentov.

Povprečni respondent in povprečno podjetje, ki se je udeležilo empirične raziskave, imata naslednji profil: na vprašalnik so odgovarjali top managerji (60,6%); starost top managerja je med 46 in 60 let (56,7%); top manager ima univerzitetno izobrazbo (66,1%); top manager je na obstoječi poziciji med 2 in 5 let (41,7%) in je pred obstoječo pozicijo deloval na drugih pozicijah v podjetju (53,5%); podjetje deluje več kot 31 let (70,1%); podjetje je prej proizvodno kot storitveno (55,9%); podjetje deluje na domačem trgu (48%); podjetje je v zasebni lasti (56,7%); podjetje deluje v predelovalni industriji (44,9%); podjetje ima med 250 in 500 zaposlenih (55,9%).

T-test je dokazal, da razlika med odgovori respondentov in nerespondentov niso statistično značilni pri naslednjih kriterijih: oblika lastništva, pravna oblika podjetja, izvor kapitala in standardna klasifikacija dejavnosti. Število zaposlenih v podjetju je edini kriterij, ki kaže statistično značilno razliko med respondenti in nerespondenti. Veljavnost sem testirala na podlagi dveh metod "construct validity" in "face validity". Vsak konstrukt strateškega razmišljanja in šole strateškega managementa predstavljam na podlagi nekaj trditev, ki so v skladu s teoretičnim ozadjem.

5. Rezultati empirične raziskave

Peti del disertacije predstavlja rezultate empirične raziskave in njihovo interpretacijo. Rezultate predstavljam z upoštevanjem hipotez, na katere se le-ti nanašajo. V samem procesu raziskovanja hipotez ter njihovi zavrnitvi, potrditvi ali delni potrditvi navajam tudi zaključke in implikacije obravnavanih hipotez.

Sestavine strateškega razmišljanja, s katerimi se top managerji najpogosteje strinjajo, so: hipotetično razmišljanje; razumevanje paradoksa, kompleksnosti in negotovosti; profesionalne sposobnosti in sistemski pristop. Prve tri značilnosti prikazuje sposobnost upreti se preprekam in vzorcem ozko usmerjenega razmišljanja. Najredkeje našteje sestavine, s katerimi se top managerji strinjajo, so: fleksibilnost, zaznavanje časa, politična občutljivost in intuicija. Top managerji verjamejo, da se sposobnost strateškega razmišljanja lahko udejani samo na nivoju podjetja. V kolikor niso podprti s tehničnim znanjem in izkušnjami, je težko verjeti v uspeh.

Velik del trditev strateškega razmišljanja je povezan z nekaterimi kontingenčnimi dejavniki, ki vplivajo na podjetje ali na top managerja. Kontingenčni dejavniki, ki vplivajo na podjetje, so: oblika lastništva podjetja, tradicija podjetja, dejavnost podjetja (proizvodno ali storitveno) in vir vpliva na top managerja. Kontingenčni dejavniki, ki vplivajo na top managerja, so: raven izobraževanja, časovno obdobje pozicije top managerja in pogostost aktivnega strateškega razmišljanja.

Pozitivne finančne rezultate pokažejo tista podjetja, ki so brez bremena popravljanja preteklih napak. Le-ta so usmerjena na sedanost in prihodnost in ne na preteklost. Top managerji uspešnih podjetij svoje zaposlene gledajo kot partnerje in jih spodbujajo k uporabi različnih stališč v medsebojnem pogovoru in diskusijah ter tudi k sprejemanju odločitev. Velika podjetja so kompleksni organizacijski sistemi in njihovi top managerji se poskušajo izogibati presenečenjem v planiranju ter na splošno pri poslovanju. Odločitve se ne spreminjajo oziroma top managerji v bolj uspešnih podjetjih sploh ne spreminjajo svojega mnenja in odločitev na zahtevo svojih kolegov.

Faktorska analiza je pokazala šest konstruktov strateškega razmišljanja, ki so po testiranju zanesljivosti pripeljali do treh značilnih konstruktov strateškega razmišljanja. Prvi konstrukt je označen kot angleški akronim "HEAR" (h-hypothesis, e-expert, a-agnostic, r-responsibility), drugi kot "FIRM" (f-fixing problems, i-introspective, r-reactiveness, m-melancholic) in tretji kot "POST" (p-perceptive, o-optimistic atmosphere, r-resemblance, t-technical ability). Najbolj pogosto se uporablja konstrukt HEAR, sledita mu POST in FIRM. Pri merjenju notranje zanesljivosti uporabljam Cronbach alfa, ki je na spodnjem nivoju sprejemanja.

S pomočjo factorske analize med štirimi teoretičnimi šolami dobim tri šole strateškega managementa, in sicer: klasično, okoljsko in konkurenčno-sodobno šolo strateškega managementa. Top managerji najpogosteje uporabljajo konkurenčno-sodobno, sledi klasična, medtem ko je na zadnjem mestu okoljska šola. Vidno je, da so top managerji, ki so dajali prednost značilnostim konkurenčno-sodobne šole strateškega managementa, imeli boljše finančne rezultate v primerjavi s top managerji, ki so dali prednost drugim šolam. Na top managerje, ki so izbrali klasično šolo strateškega managementa, vplivajo trg in lastniki, na okoljsko šolo pa trg in politika, na konkurenčno-sodobno pa vse razen politike. Podjetja z zasebnim lastništvom so bolj nagnjena h konkurenčno-sodobni šoli, medtem ko so podjetja z državnim lastništvom v svojih odločitvah bolj nagnjena k okoljski šoli strateškega managementa.

Pri ugotavljanju povezanosti med sestavinami strateškega razmišljanja in šolami strateškega managementa uporabljam regresijsko analizo. Statistično značilna povezava dokazuje, da je konstrukt HEAR pozitivno povezan s klasično in konkurenčno-sodobno šolo strateškega managementa. Konstrukt FIRM vpliva statistično značilno na pozitivni ravni samo na okoljsko šolo strateškega managementa. Konstrukt PORT pa vpliva tako na klasično kot konkurenčno-sodobno šolo strateškega managementa, vendar statistično značilno na negativni ravni.

Če pogledam podjetja, ki imajo značilnosti strateškega razmišljanja usklajene s šolami strateškega managementa, opazim, da nimajo boljše finančne rezultate v primerjavi s tistimi, ki le-teh niso imele usklajene. Z zadržkom zaključujem in pojasnujem odnos med konstruktom FIRM in konkurenčno-sodobno šolo.

V obdobju 2004-2006 sta najbolj prepoznavna načina strateškega razmišljanja HEAR (če upoštevam kriterij vrednosti ROA) ali FIRM (če upoštevam kriterij vrednosti ROE). Med šolami strateškega managementa sta najbolj učinkoviti konkurenčno-sodobna šola strateškega managementa (če upoštevam kriterij vrednosti ROA) ali okoljska šola (če upoštevam kriterij vrednosti ROE).

Pri analizi odnosa med konstrukti obeh strateških razmišljanj (HEAR in FIRM) in šolami strateškega managementa z ROE v obdobju 2004-2006 so bili statistično značilni naslednji odnosi: konstrukt HEAR pojasnjuje 17,8%, konstrukt FIRM 11,1%, konstrukt PORT 2,3%, klasična šola pa 2,3% variance ROE. Variance v ROA se lahko pojasnijo s statistično manjšo značilnostjo in močjo.

Model strukturnih enačb ponuja nove vpoglede v raziskavo. Na podlagi teoretičnih, v katerem sem upoštevala ROE, sem prišla do naslednjih zaključkov: predlagani model in njegove komponente so samo eden izmed možnih načinov, s katerimi lahko prikažemo vpliv konstruktov strateškega razmišljanja in šol strateškega managementa na uspešnost poslovanja podjetij. Obstaja tudi množica dodatnih dejavnikov, ki vplivajo na konstrukte in finančno uspešnost podjetja. Konstrukt HEAR vpliva neposredno in direktno; PORT vpliva neposredno in negativno; FIRM nima neposrednega vpliva na vrednost ROE. Klasična šola strateškega managementa negativno vpliva na ROE, medtem ko okoljska in konkurenčno-sodobna šola sploh nimata neposrednega vpliva na ROE.

6. Sklep

Zadnji del disertacije povzema glavne ugotovitve in rezultate raziskave.

Namen tega dela je bil ugotoviti povezave med strateškim razmišljanjem in šolami strateškega managementa ter njihove vplive na uspešnost poslovanja velikih podjetij v Republiki Hrvaški in posledično predstaviti najbolj učinkovit pristop strateškega razmišljanja.

Strateški management je veda, ki je in bi morala biti usmerjena proti ciljem in finančnim ali nefinančnim rezultatom poslovanja podjetij. Med strategijo in finančnimi rezultati podjetja obstaja veliko dejavnikov, ki vplivajo na njihovo medsebojno povezavo in zaradi tega je skoraj nemogoče zaznati njihov neposreden odnos. S poskusi oblikovanja neposrednega odnosa strategije in finančnih rezultatov lahko top manager zazna način vpliva strateškega managementa na uresničevanje planiranih ciljev, oblikovanih skozi finančne rezultate. Šole strateškega managementa so poskusi pridobitve pregleda na različne pristope in paradigme strateškega managementa, oblikovane kot medsebojni odnos skupine top managerjev, podjetij

in okolja. Strateško razmišljanje je sposobnost, ki je jedro strateškega managementa. Ni pomembno, koliko metod, orodij in tehnik top managerji uporabljajo, saj nobeno od naštetih ne more biti nadomestilo za strateško razmišljanje. Slednje je sposobnost človeškega obstoja, posameznika, ki se razvija v skupini, teamu in ki presoja o strateškem razmišljanju, vendar samo ko je prepoznaven na določenem nivoju v podjetju.

Disertacija je uspešno dosegla nekaj ciljev. **Prvi cilj** je bil predstaviti pregled dosedanjih teoretičnih dosežkov na področju strateškega razmišljanja. Disertacija povzema različne pristope strateškega razmišljanja in definicije, ki pomagajo ustvariti kritičen pregled izbranih prispevkov. Predlagam definicijo strateškega razmišljanja, s katero želim spodbuditi nove načine razumevanja strateškega razmišljanja izven okvirov strateškega managementa. Strateško razmišljanje se lahko razdeli na tri ravni: individualna, skupna ali timska in raven podjetja. Razpravo o odnosu strateškega razmišljanja-strateškega planiranja zaključim z dialektičnim modelom.

Drugi cilj disertacije je teoretično obdelati šole strateškega managementa. Lahko rečemo, da šola strateškega managementa zajema pristop top managerja k procesu strateškega managementa. Različne šole strateškega managementa so pravzaprav različne paradigme, ki jih top managerji uporabljajo, da bi dojeli proces strateškega managementa. Med top managerji znotraj ene od šol strateškega managementa obstajajo podobne perspektive in mnenja o množici različnih poslovnih odločitev, če pa primerjamo dve različne šole strateškega managementa, lahko ugotovimo, da obstajajo značilne razlike. V odvisnosti od kriterijev obstaja veliko teoretičnih razvrstitev procesa strateškega managementa (Chaffee, 1985; Hampden-Turner, 1993; Whittington, 1993; Mintzberg, 1994; McKiernan, 1996; Mintzberg, Ahlstrand, Lampel, 1998; Haberberg, Rieple, 2001). Vsaka od predlaganih razvrstitev je rezultat subjektivnih kriterijev avtorja in ponuja njegov pogled na proces strateškega managementa. Moj prispevek pri razvrstitvi šol strateškega managementa temelji na dve kriterijih: časovnem horizontu sprejemanja strateškega managementa kot vede in vlogi top managerja v procesu. Upoštevajoč omenjene kriterije obstajajo štiri šole strateškega managementa: klasična, okoljska, konkurenčna in sodobna. Teoretični pregled zaključujem s kritičnim pregledom vsake izmed štirih omenjenih šol z namenom, da predstavim ravnovesen in objektivni pogled na njih.

Tretji cilj je bil empirično testirati vpliv strateškega razmišljanja in šol strateškega managementa na top managerje velikih podjetij na Hrvaškem. Strateško razmišljanje, šole strateškega managementa in finančna uspešnost so teoretični konstrukti in vsak od njih se lahko izkaže skozi različne načine: deset konstruktov strateškega razmišljanja (sistemski pogled, ustvarjanje in testiranje hipotez, osredotočanje, percepcija časa, profesionalna sposobnost, fleksibilnost, politična občutljivost, intuicija, paradoks/negotovost), štiri šole strateškega managementa (klasična, okoljska, konkurenčna in sodobna) in dva načina merjenja finančne uspešnosti (ROE, in ROA).

Prispevek te disertacije lahko razdelim na prispevek k teoretičnemu in metodološkemu razvoju ter na prispevek praksi, katerega razdelim na splošni prispevek k praksi in na prispevek k praksi velikih hrvaških podjetij. Prispevek k teoretičnemu in metodološkemu razvoju obsega naslednje ugotovitve:

- Vseobsežen pregled literature iz strateškega razmišljanja. Strateško razmišljanje je premalo raziskan, samoumeven koncept, katerega raziskovalci uporabljajo, a ga ne razlagajo s svojimi prispevki. Ne obstaja možnost sledenja strateškega razmišljanja v obstoječi literaturi. Prispevki so fragmentirani in razpršeni v različnih publikacijah na področju managementa, strateškega managementa in psihologije.

- Strateško razmišljanje se razlaga na več ravneh. Prva raven zajema definicije in njihov kritični pregled. Na drugi ravni so obdelani različni pristopi k strateškemu razmišljanju in njihova kritična perspektiva. Tretja raven zajema odnos med strateškim razmišljanjem in strateškim planiranjem, ki je opisan v dialektičnem modelu.
- Utemeljena definicija strateškega razmišljanja.
- Razlaga elementov strateškega razmišljanja z vidika različnih kriterijev in virov. Ustvarjanje razvrstitve – konstrukt desetih pomembnih elementov, ki zajemajo sposobnost strateškega razmišljanja.
- Literatura ponuja množico različnih teoretičnih pristopov k strateškemu razmišljanju, pa vendar jih samo Jacobs (Jacobs, 1994) empirično raziskuje. Disertacija ponuja eno izmed prvih empiričnih raziskovanj elementov strateškega razmišljanja (Tabela 27).
- Vseobsežen zgodovinski pregled področja strateškega managementa s posebnim poudarkom na proces strateškega managementa.
- Obdelava množice razvrstitev šol strateškega managementa.
- Ustvarjanje nove klasifikacije oziroma razvrstitve šol strateškega managementa, ki temelji na dveh kriterijih: časovnem horizontu sprejemanja strateškega managementa kot vede in vlogi top managerja v procesu. Predlagano razvrstitev sestavljajo: klasična šola, okoljska šola, konkurenčna šola in sodobna šola. Empirična raziskava, ki sem jo izvedla v eni županiji na Hrvaškem (Jelenc, 2004), in raziskava, ki sem jo izvedla na celotnem hrvaškem teritoriju, dokazujeta obstoj treh šol strateškega managementa: klasične, okoljske in konkurenčno-sodobne šole.
- Kritičen pregled šol strateškega managementa z namenom zajemanja objektivnih vrednot in prispevkov vsake od šol.
- Ustvarjanje konstruktov strateškega razmišljanja in šol strateškega managementa.
- Empirična raziskava konstruktov strateškega razmišljanja in šol strateškega managementa, njunih medsebojnih povezav in vpliva na rezultat velikih hrvaških podjetij. Do sedaj ni bila izvedena nobena empirična raziskava s predlaganimi konstrukti.
- Empirična raziskava rezultira v množici informacij o kvalitativnih in kvantitativnih značilnostih strateškega managementa v velikih hrvaških podjetjih.
- Obsežen model tolmačenja odnosov med strateškim razmišljanjem in šolami strateškega managementa, ki zajema tudi njihov vpliv na finančne rezultate.

Splošni prispevek za prakso obsega naslednje ugotovitve:

- Top managerji naj bi dojemali **strateško razmišljanje kot jedro strateškega managementa**, proces, katerega ni možno nadomestiti z nobenim orodjem, metodologijo ali računalniškim programom. Orodja, metode in računalniški programi ponujajo pomoč in nasvete za boljše udeleženstvo strateškega razmišljanja. Če strateško razmišljanje s pomočjo ene izmed metod prinaša boljše rezultate, se ta metoda lahko uporabi. Po drugi strani, če se strateško razmišljanje ne izboljša s pomočjo ene izmed metod, metoda ni primerna za uporabo. Samo najboljši strategji razvijajo in uresničujejo popolne strategije, vsi ostali potrebujejo pomoč konzultantov, treningov, seminarjev in knjig. Top managerji se morajo zavedati, da ne obstaja zamenjava za strateško razmišljanje in da je odgovornost za izvedbo tega procesa na njih.
- Proces strateškega razmišljanja se prične s podporo skupin in timov in v zadnji fazi strateški potencial začne obstajati na **nivoju podjetja**. Če organizacijska klima ne podpira uveljavljanja strateških idej posameznika oz. Če prihaja do izgubljanja njegovih idej, lahko rečemo, da to predstavlja neizkoriščen potencial.

- Top manager naj bi bil pri strateškemu razmišljanju odprt za dojetanje različnih in **nekonvencionalnih virov idej**. Predlagana definicija strateškega razmišljanja zajema načine, ki predlagajo, kako se ta proces lahko zgodi in kako se le-ta odraža na top managerjih.
- Strateško razmišljanje je sposobnost, ki jo top managerji morajo razviti, trenirati in **uporabljati vsak dan**. Čim več top managerjev uporablja strateško razmišljanje, tem bolj razvijajo svojo sposobnost razmišljanja na strateški način in s tem posledično dosežajo boljše rezultate.
- Obstajajo **tri dimenzije** sposobnosti strateškega razmišljanja. Prva dimenzija je izbran element, druga je moč določenega elementa in tretja je kombinacija različnih elementov. Obstaja množica različnih seznamov potencialnih elementov strateškega razmišljanja in noben ne zajema vse možne elemente strateškega razmišljanja. Cilj ni narediti vseobsežni seznam teh elementov, ampak opozoriti na najbolj pomembne elemente, ki so pomembni za strateško razmišljanje. Če bolj poglobljeno pogledamo, ugotovimo, da gre za normalne sposobnosti, ki jih ima vsak zaposleni oziroma vsak človek. Sposobnost strateškega razmišljanja zajema ne samo obsežni seznam elementov, ampak tudi top managerjevo osebno prirojeno sposobnost. To zajema tudi tiste elemente, katere naporno razvija, uporabljajoč jih v določenih situacijah. Ni pomembno, da top manager obvlada določene elemente sposobnosti strateškega razmišljanja, temveč tudi, da izrazi moč le-teh. Moč vsakega posameznega elementa bo odločila o najbolj prevladajočih elementih sposobnosti strateškega razmišljanja. Tretja dimenzija sposobnosti strateškega razmišljanja predstavlja kombinacijo različnih elementov, katere posamezni top manager vgradi v svojo sposobnost. S kombinacijo dveh ali več elementov top manager ustvarja svoj vzorec sposobnosti strateškega razmišljanja.
- Strateško razmišljanje in strateški management **niso samozadostni koncepti**, potrebno jih je prilagoditi specifičnemu okolju panoge in problemu podjetja. Včasih je bolj pomembno en problem razrešiti, ne da se slepo vztraja na določeni proceduri strateškega planiranja. Strateško razmišljanje in šole strateškega managementa ponujajo odgovor na vprašanje **KAKO**, z druge strani bosta specifični problem podjetja in panoga odgovorila na vprašanje **KAJ**. Glede na omenjeno, lahko rečemo, da strateški management predstavlja višji nivo znanja, ki je uporabno samo, kadar so tehnične sposobnosti na nižjem nivoju znanja dojele.
- Ideje in koncepti strateškega razmišljanja in šol strateškega managementa lahko pomagajo pri ustvarjanju **programov za usposabljanje** top managerjev oz. za usposabljanje poslovođenja podjetij. Ta program za osposabljanje se lahko osredotoči na managerje na srednji ravni, ki kažejo potencial, da bi lahko napredovali do položaja top managerja, in naj bi se osredotočil na razvoj posebnih sposobnosti, ki so pomembne za uspešne top managerje. Slednje zajema razvoj sposobnosti na dveh področjih: managementa in psihologije. Management je pomemben, ker prinaša znanja o vodenju, koordinaciji, kontroli, organizaciji in planiranju. Z druge strani je za top managerje psihologija pomembna, ker jim omogoča, da bi spoznali samega sebe, svoje osebne potenciale in meje, moči ter slabosti. S tem, ko sami sebe bolj razumejo, top managerji bolj uspešno vodijo druge ljudi. Primer takšne kombinacije je program usposabljanja poslovođenja podjetij na Ekonomski fakulteti, Univerze na Reki.

Prispevek za prakso velikih hrvaških podjetij:

- Teoretična razprava o strateškem razmišljanju top managerjem ne prinaša obilo praktičnih vrednot. Torej, naj bi se osredotočili na empirično raziskavo, ki ponuja rezultate primernih načinov strateškega razmišljanja in šol strateškega managementa glede na dva finančna kazalca (Tabela 28: Pregled empirične raziskave).
- Top managerji najbolj pogosto razvijajo naslednje elemente strateškega razmišljanja: ustvarjanje in testiranje hipotez; razumevanje paradoksa, kompleksnost in negotovost; strokovne sposobnosti; sistemski pogled in naravnost v prihodnost.
- Top managerji najmanj razvijajo elemente, kot so: prilagodljivost, percepcija časa, osredotočenost, politična občutljivost in intuicija, ki jo najmanj uporabljajo.
- Najbolj primeren način razvoja strateškega razmišljanja med velikimi hrvaškimi podjetji je HEAR (če upoštevam kriterij uspešnosti poslovanja ROA), ali FIRM (če upoštevam kriterij uspešnosti poslovanja ROE).
- Razvoj strateškega razmišljanja v povezavi s konstruktom HEAR se bo najbolj verjetno zgodil storitvenim podjetjem in podjetjem, ki so naravnana na domač trg. Top managerji strateško razmišljajo vsak dan in njihove strateške odločitve so večinoma pod vplivom trga, lastikov in samega top managerja. Top managerji, ki imajo HEAR način strateškega razmišljanja prispevajo k stabilnim in pozitivnim finančnim rezultatom, neodvisno od panoge, kjer delujejo. Le-ta ponuja pozitivno izhodišče za razvoj dveh šol oziroma bolj konkretno za klasično in konkurenčno-sodobno šolo strateškega managementa. Do konflikta med preteklostjo (ki jo predstavlja klasična šola) in prihodnostjo (ki jo predstavlja konkurenčno-sodobna šola) ne prihaja, temveč HEAR prinaša odlično podlago za uspeh podjetja.
- Uporaba konstrukta HEAR je pomembna pri odločitvah o strateških vprašanjih, ko se top manager odloča kot posameznik, kar pa pozitivno vpliva na vrednost ROE. Z druge strani, če top manager, ki razvija sposobnost strateškega razmišljanja v povezavi s HEAR, deluje v podjetju, ki funkcionira s klasično šolo strateškega managementa, pravi potencial HEAR konstrukta ne bo popolnoma prepoznan in izkoriščen. V tem podjetju bodo pozitivne (ali negativne) vrednosti finančnih kazalcev rezultat klasične šole, ne pa potenciala top managerja.
- Najbolj primeren pristop k procesu strateškega managementa med velikimi hrvaškimi podjetji je konkurenčno-sodobna šola (če se upošteva kriterij ROA) ali okoljska šola (če se upošteva kriterij ROE).
- Konkurenčno-sodobna šola je pristop k strateškemu managementu, kjer top manager odloča o strateških vprašanjih pod različnimi vplivi (razen politike). Podjetja, kjer prevladuje konkurenčno-sodobna šola, so v zasebnem ali v mešanem lastništvu. Če top manager uporablja ta pristop k procesu strateškega managementa, ustvarja ozračje, v katerem se lahko pokažejo pozitivni in zelo visoki finančni rezultati ne glede na osebno sposobnost strateškega razmišljanja top managerja.
- Odnos med šolami strateškega managementa in ROE je zelo posreden in obstaja množica različnih dejavnikov, ki vplivajo na ta odnos. Klasična šola ima negativen neposreden vpliv na ROE in med ostalimi dvema šolami sploh ni neposrednega vpliva na ROE. To pomeni, da top managerjeva percepcija procesa strateškega managementa kaže slabši vpliv ali pa vpliva na uspešnost velikih hrvaških podjetij sploh nima.
- Če pogledamo konstrukte strateškega razmišljanja, je situacija nekoliko drugačna. Konstrukt HEAR pokaže neposreden in pozitiven vpliv; PORT pokaže neposreden in negativen vpliv na vrednost ROE. Konstrukt HEAR ustvarja pozitivno ozračje v različnih podjetjih, medtem ko PORT ustvarja negativno ozračje v katerem koli podjetju.

V tej raziskavi obstaja nekaj omejitev s teoretičnega in empiričnega zornega kota. Teoretični del disertacije je osnovan na podlagi številnih mišljenj in predpostavk o top managerjih, ki so zadolženi za oblikovanje, uresničevanje strategij, kontrolo in ocenjevanje procesov v strateškem managementu. Obstajajo številne izjeme, ki so značilne za nekatere panoge, področja, države in kulture. Kljub temu so bile predpostavke izdelane kot solidna osnova za postavitev hipotez, modelov in zaključkov. Na vprašalnike je odgovarjal vedno samo en top manager v posameznem podjetju. Celotna disertacija je bila osnovana na ravni subjektivnosti, ki je dovoljena, in se uporablja v raziskovalni literaturi strateškega managementa.

Po izvedbi testiranja v tem delu obstaja nekaj usmeritev za nadaljnje raziskovanje. Šole strateškega managementa so ena izmed tem, ki bodo prisotne tudi v prihodnje kot metoda za merjenje napredka na področju strateškega managementa. Šole strateškega managementa se ne bodo pogosto pojavljale, vendar bodo kljub temu ponujale poglobljen in posodobljen pregled obstoječih paradigem strateškega managementa.

Strateško razmišljanje je tema, ki bo popularna tako v praktičnih kot tudi akademskih raziskavah. Le-ta naj bi temeljila na določenih značilnostih strateškega razmišljanja in njihovih kombinacijah, zlasti jo uporabljajo top managerji v različnih kulturnih okoljih, zlasti pri zaznavanju značilnosti strateškega razmišljanja, kot tudi pri različnih stopnjah razvoja strateškega razmišljanja. Potemtakem se pričakuje, da bo raziskovanje strateškega razmišljanja v prihodnje izčrpnije in bo zahtevalo kombinacijo raziskovanja na področju managementa in psihologije. Raziskovalci bodo top managerjem vedno želeli razložiti proces, medtem ko bodo le-ti pripravljene odkrivati skrivnosti strateškega razmišljanja v skladu s pričakovanji, da bodo postali boljši in učinkovitejši strategji.

Seznam literature, uporabljene v slovenskem povzetku

1. Andrews, K. (1971). *The Concept of Corporate Strategy*. Homewood: Dow-Jones-Irwin.
2. Andrews, K. (1987). *The Concept of Corporate Strategy*. Homewood: Dow-Jones-Irwin.
3. Argyris, C. (1976). Single-loop and double-loop model sin research on decision making. *Administrative science quaterly*, 21, 363-375.
4. Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99-120.
5. Bonn, I. (2001). Developing strategic thinking as a core competency. *Management Decision*, 39 (1), 63-71.
6. Bonn, I. (2005). Improving strategic thinking: a multilevel approach. *Leadership and Organization Development Journal*, 26 (5), 336-354.
7. Chaharbaghi, K. & Willis, R. (1998). Strategy: The Missing Link between Continuous Revolution and Constant Evolution. *International Journal of Operations & Production Management*, (18) 9-10, 1017-1027.
8. Chaffee, E.E. (1985). Three Models of Strategy. *Academy of Management Review*, 10 (1)
9. Child, J. (1972). Organizational Structure, Environment and Performance: The Role of Strategic Choice. *Sociology*, 6 (1), 1-22.
10. Cyert, R. M. & March, J. G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs: Prentice Hall.
11. Drucker, P.F. (1970). Entrepreneurship in Business Enterprise. *Journal of Business Policy*, I (1), 3-12.
12. Graetz, F. (2002). Strategic thinking versus strategic planning: towards understanding the complementarities. *Management Decision*, 40 (5), 456-462.

13. Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33 (3), 114-35.
14. Heracleous, L. (1998). Strategic thinking or strategic planning. *Long Range Planning*, 31, 481-487.
15. Jacobs, T. Owens (1994). *A Guide to the Strategic Leader Development Inventory*. Washington: National Defense University Industrial College of the Armed Forces
16. Jelenc, L. (2004). *Škole strateškega menadžmenta koje najviše utječu na praksu srednjih i velikih poduzeća Primorsko-goranske županije*. Master thesis, Ljubljana: University of Ljubljana.
17. Learned, E.P., Christensen, C.R., Andrews, K.R. & Guth, W.D. (1965). *Business Policy, Text and Cases*. Homewood: Irwin.
18. Liedtka, J.M. & Rosenblum, J.W. (1996). Shaping Conversations: Making Strategy, Managing Change. *California Management Review*
19. Liedtka, J.M. (1998). Strategic Thinking: Can it be Taught? *Long Range Planning*, 31 (1)
20. Liedtka, J.M. (2000). Strategic planning as a contributor to strategic change: a generative model. *European Management Journal*, 18 (2), April, 195-206.
21. McKiernan, P. (1996). *Historical Evolution of Strategic Management*, I. Dartmouth: Aldershot.
22. Mintzberg H. (1973). Strategy-Making in Three Modes. *California Management Review*, XVI, 44-53
23. Mintzberg, H. (1994). The Fall and Rise of Strategic Planning, *Harvard Business Review*, January/February, 72 (1), 107- 114.
24. Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998). *Strategy Safari, A Guided Tour Through the Wilds of Strategic Management*. New York: The Free Press.
25. Ohmae, K. (1982). *The mind of the strategist*. New York: McGraw – Hill.
26. O'Shannassy, T. (2003). Modern strategic management: balancing strategic thinking and strategic planning for internal and external stakeholders. *Singapore Management Review*, 25 (1), 53-67.
27. Penrose, E. T. (1959). *The Theory of the Growth of the Firm*. New York: Wiley.
28. Pettigrew, A.M. (1977). Strategy formulation as a political process. *International Studies of Management and Organization*, Summer, 78-87.
29. Porter, M.E. (1979). How Competitive Forces Shape Strategy. *Harvard Business Review*, 57 (2), March/April, 137-145.
30. Porter, M.E. (1980). *Competitive Strategy*. New York: The Free Press.
31. Porter, M. (1987). Corporate strategy: the state of strategic thinking. *The Economist*, May 23, 21-28.
32. Porter, M.E. (1991). Towards a Dynamic Theory of Strategy. *Strategic Management Journal*, Winter
33. Porter E. M. (1996). What is Strategy? *Harvard Business Review*, November/December, 61-78.
34. Prahalad, C. K. & Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*, 6, 79–93.
35. Rosche, A.L.H.W. (2003). *Personality correlates of strategic thinking in an organizational context*. Faculty of the California School of Organizational Studies, Alliant International University.
36. Schumpeter, J.A. (1934). *The Theory of Economic Development*. London: Oxford University Press.
37. Schumpeter, J.A. (1947). The creative response in economic history. *Journal of economic history*, November, 149-159.
38. Senge, P. (1990). *The Fifth Discipline*. Cambridge: Sloan School of Management.

39. Smircich, L., & Stubbart, C. (1985). Strategic Management in an enacted world. *Academy of management review*, 10 (4), 724-736.
40. Smith, M. K. (2001). Chris Argyris: theories of action, double-loop learning and organizational learning. *The encyclopedia of informal education*, www.infed.org/thinkers/argyris.htm, 20.04.2008
41. Torset, C. (2001). *Strategic Thinking: Why, What, and How?, An Organizational Model of Strategic Thinking*. Lyon: EGOS XVIIth Colloquium, The Odyssey of Organizing, July 5-7
42. Whittington, R. (1993). *What is Strategy and does it matter*. London: Routledge.