

Current Managerial Competencies in Strategic Management and Decision-Making in the Czech Republic

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Abstract. Despite the increasingly strong paradigm of management, which is especially visible in the corporate management sector, there have been changes in the perception of strategic management and decision-making. An important indicator of this process is the level or the application of managerial competencies in practice. Extensive research, which was started by the Department of Management of the Institute of Technology and Business in České Budějovice in 2016, and is still going on, has shown the lack of literacy of managers in this field, especially in the case of older managers. From the perspective of objective scientific knowledge, it can be stated that in scientific and research terms, there is a significant deficit in the corporate sector; the transfer of new knowledge in practice is stagnant or non-existent. This makes the situation all the more urgent, as managers who possess knowledge of this issue consider their knowledge to be obsolete and only partly applicable in terms of their needs for business management. The basic prerequisite to remedy this unfavourable situation consists in knowing the actual situation of individual companies of various sizes and the sectors of the national economy. The submitted contribution presents partial results in terms of the knowledge and application of internal and external strategic analyses by companies operating in the Czech Republic. The research included a set of 456 companies from the entire Czech Republic (109 micro-companies, 140 small companies, 124 medium-sized companies, and 83 large companies). The results revealed a critical state in terms of managerial competencies and skills in companies in the Czech Republic concerning the knowledge and application of strategic situation analysis methods. More than 50% of managers appeared to have only minimum knowledge of this issue.

Keywords: managerial competencies; strategic management; strategic decision-making; strategic analyses

1 Introduction

The issue of strategic management and decision-making has been perceived as important by the corporate sector since 1970s. In the last few decades, the international business environment has changed dramatically (development of transport infrastructure, improvements in production processes, reduction of trade barriers, more efficient business communications, increasing number of people with international business experience, etc.). Currently, strategic management is an integral part of each business' management regardless of its size or specialization.

With the growing dynamics and development of the corporate environment, there are growing demands being placed on the managements of business entities, as well as on the managers' skills and abilities. The existing principles, rules, and the ways managers act and make decisions are failing; new approaches and methods to solve problems are being sought. The voices of business owners and managers calling for uniqueness and originality in close relation to a competitive business strategy, or its creation and implementation, are being heard more and more often. A successful business strategy guarantees the competitiveness, efficiency and long-term sustainability of a company. It should be stated that the scientific and research platform, which includes universities, does not fully ensure the needs of corporate practice.

The ideas and especially the practical instructions of Michael Porter [1-4], the man behind the modern concept of corporate competitiveness, i.e. competitive advantage and competitive strategy, are not known in Czech corporate practice. The principles declared in Porter's publications, e.g. the statement that the essence of competition is not to beat the competition but to provide the customer with unique, original value in the form of a unique product [5], remain unknown to Czech managers, with exception to top businesses or businesses under foreign ownership. Achieving and sustaining a competitive position is conditioned by the strategic management and decision making on the part of business owners and top managers, who are confronted with the reality of a competitive market every day, and who have to solve issues in accordance with the interests of their businesses, knowledge and skills. Ignorance of the above principles for creating business strategy, or their neglect in business practice, means a clear handicap for creating and running a competitive business, which may play a very negative role in ensuring the stability and development of Czech companies, especially in times of crisis.

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As strategic management is developing as an independent scientific discipline, the requirements being placed on managers at various levels, from the operational to the highest, are increasing. Strategists should be active players, not only consultants; they should not focus on the long-term future only; they should be those who influence, not give commands [6-7]. The basic managerial competencies may include knowledge of suitable analytical tools or strategic methods of situation analysis in order to know the internal resources of a company and to analyse the mezzo-environment, or the nearest corporate environment, and the macro environment [8-9]. The survey conducted by the authors of this contribution showed that the issue of situation analysis from the perspective of knowledge and application of its methods when formulating business strategy remains a new and unknown issue for many managers [10]. A similar opinion is expressed by authors such as Kislíngerová and Nový [11] and Mallya [12]. It is a fact that in strategic management and planning, many companies use a high degree of intuition, practical knowledge and skills of successful managers; in many cases, certain models of strategic management are taken over from foreign companies without deeper theoretical knowledge and implementation skills. The results achieved in companies managed in this way do not correspond with the original assumptions of top management.

As a result of the aforementioned paradigm, the decision-making of managers is becoming more and more difficult and demanding with regards to preparatory work, and especially analytical work. Managers, especially managers at the top level, make decisions in a highly uncertain environment, with a high degree of uncertainty and business risk. Only a very small part of management has the ability to predict the future development of a company [13]. According to Keřkovský and Vykypěl [14], one of the prerequisites for successful strategic decisions of managers is strategic situation analysis or the evaluation of business environment factors, that is, the requirements and changes in the behaviour of customers, competitors, suppliers, as well as the development of macroeconomic factors including the characteristics of internal corporate resources [15]. Jakubíková [16], Dedouchová [17], Mallya [12], Šulák and Vacík [18], Frynas and Mellahi [19], Kislíngerová and Nový [11], Veber et al. [20], Gomes [21], Nigel and Campbell [22], Ginter, Duncan and Swayn [23] have a similar opinion on adequate knowledge of strategic management and decision-making tools. According to Jakubíková [16], strategic situation analysis is a complex approach capturing the important factors affecting the activities of companies in context and whose results are a basis for creating strategies. Despite the considerable reservations of managers in the corporate sector concerning the methods of situation analysis, usually due to their large number and often missing methodology, the knowledge of mainly the methods that are, according to M. Porter, necessary for the creation of business strategy (analysis of the internal structure of the sector, value chain), and, as the authors of the contribution believe, the analysis of internal corporate resources, are essential. A similar opinion is expressed by other authors [24-25], who state that within strategic management, it is recommended to use some analyses taken from situation analysis, especially the Porter's Five Forces model, value chain, or strategic map of the sector; other analyses should be rather used as a supporting tool for developing a corporate strategy. This assumption is based on the fact that when choosing suitable analyses, it is necessary to consider their structure and contents, as some of them do not have a universal character and cannot therefore be used in a unified way [26-28].

The authors of this contribution believe that knowledge of suitable situation analysis methods is one of the basic managerial competencies that managers, especially top managers, should possess [10, 29-30]. This opinion is supported by the partial results obtained by means of a research survey. As documented in the presented results of the survey conducted among Czech managers, knowledge of strategic methods for analysing the internal and external environment are greatly lacking. The task of academia is to solve this situation mainly through the accelerated transfer of new knowledge to the corporate sector.

2 Methodology

The research was carried out on a sample of 456 companies from the whole Czech Republic: 109 micro-companies (up to 10 employees), 140 small companies (up to 50 employees), 124 medium-sized companies (up to 250 employees) and 83 large companies (with more than 250 employees). Besides the classification by size, the companies were classified by sector (sector differentiation of the CR) into companies operating in the manufacturing and industry sector (201) and in the services sector (255). The test sample of companies was created in cooperation with the branch of the Czech Statistical Office in České Budějovice, as well as the Czech Statistical Office in Prague in order to ensure its representativeness (representation of all size categories and relevant sectors). The objective of the contribution is to inform about the current state of managerial knowledge and skills in the area of strategic situation analysis in the corporate sector of the Czech Republic.

For data collection, a special team of interviewers was set up. The interviewers were trained to be able to ensure the collection of relevant and objective data; they were provided with information material for top managements, whereby the importance of the issue being addressed was emphasized and the request to address a top manager of the company involved in the research was formulated. The form of the research was a broadly focused questionnaire survey, which included basic issues concerning corporate strategic management and decision-making processes. The form of the questions enabled their mathematical and statistical processing. The return rate of the questionnaire survey was high (about 85%). The participating companies were mostly from the Region of South Bohemia; the test sample, however, included companies from the whole the Czech Republic.

The responses to the questionnaire survey and selected statistical analyses are used to assess the importance of the world’s best-known methods of strategic situation analysis (both internal and external) and to determine the dependence of business strategy on the individual analysed methods according to the size and sector categorization of the participating companies. Pearson’s chi-squared test was used to determine the dependence / independence of the selected categorical variables (methods of strategic situation analysis).

Formula 1. Pearson’s chi-squared test of independence

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(n_{ij}-e_{ij})^2}{e_{ij}} \tag{1}$$

where:

χ^2 chi-square

X_i empirical frequencies (actual)

N_{pi} theoretical frequencies (expected)

The tests consider two hypotheses, the zero hypothesis (H_0) and the alternative hypothesis (H_A). H_0 - there is no dependence between the selected variables. H_A – there is dependence between the selected variables. The evaluation criterion for the confirmation or rejection of the hypotheses is p-value, which achieves the values from the interval of $<0.1>$. In case the resulting p-value $< \alpha$ (at the determined significance level of $\alpha = 0.05$), H_A is confirmed.

3 Results and Discussion

Tables 1 and 2 show the dependence of business strategy creation and formulation on the use of internal and external strategic methods according to company size and the sector they operate in. In the case of internal analyses (Table 1), strong dependence was proved in the “Analysis of value chain” from the perspective of both tested sectors (manufacturing and industry sector and services sector). This result confirms the previously declared importance of this method for the formulation of sector differentiation of companies, since the tested sectors are completely different in their nature, which indicates the significantly differentiated importance of the individual value-creating processes.

No dependence was proved in the case of other methods, neither in relation to company size nor sector classification.

Table 1. Dependence of business strategy creation on internal strategic analyses according to company size and sector

Internal strategic analyses	Company specialization	Company size
	p-value	p-value
SWOT analysis	0.8921	0.4663
Portfolio analysis	0.3586	0.8461
Analysis of internal company resources	0.3162	0.4976
Key success factors	0.9874	0.1927
BCG matrix	0.871	0.4078
Analysis of value chain	0.008428	0.1927
SPACE analysis	0.913	0.3004
Analysis of company exposure	0.6613	0.9451
Model GE	0.6139	0.7167

Source: Authors.

Table 2. Dependence of business strategy formulation on external strategic analyses according to company size and sector

External strategic analyses	Company specialization	Company size
	p-value	p-value
Analysis of competitors	0.6514	0.1242
Analysis of industry internal structure – Porter’s Five Forces	0.7713	0.671
STEP analysis	0.8112	0.3615
Strategic maps	0.198	0.437
Scenarios (predictions of external corporate environment development)	0.429	0.6221
Analysis of industry attractiveness	0.1391	0.8971
Analysis of economic characteristics of industry	0.935	0.7879
Analysis of interest groups	0.8808	0.04944
Analysis of field lifecycle	0.5083	0.4595
Analysis of industry drivers	0.4083	0.01219
Strategic clock	0.8145	0.3031

Source: Authors.

In the case of external strategic analyses (see Table 2), dependence was confirmed in terms of size classification, specifically in the case of “Analyses of interest groups” and “Analyses of industry drivers”. In addition to the analysis of interest groups, which undoubtedly has an influence on the creation of business strategy, the authors expected dependence to be proved in the case of the analysis of industry internal structure, which is, along with the analysis of value chain, considered to be the basic analytical apparatus for the creation of successful business strategy.

The graphs in Figures 1 – 8 show the results of managers’ opinions on the application of external and internal strategic analyses according to company size and sector. The results show that none of the strategic situation analysis methods is used by more than 50% of the companies examined (from all tested categories). This could be considered a critical situation in terms of managerial skills and knowledge concerning strategic situation analysis in Czech companies. The results are a warning signal in terms of the ongoing innovation process. With this level of knowledge and degree of application of strategic situation analysis in Czech companies, a positive course can hardly be expected, especially its influence on the intensification and profitability of production. The findings also indicate possible problems in the implementation of digitization in the management of Czech companies.

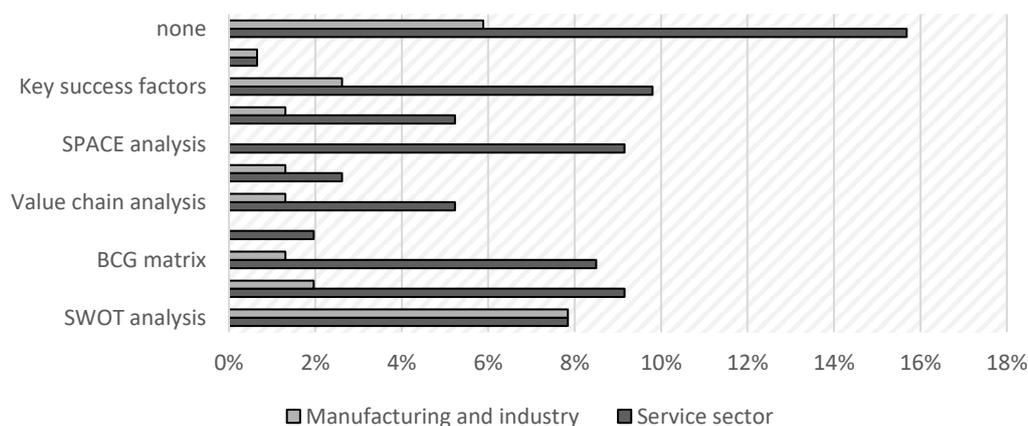


Figure 1. Use of internal strategic analysis by owners of micro-companies

Source: Authors.

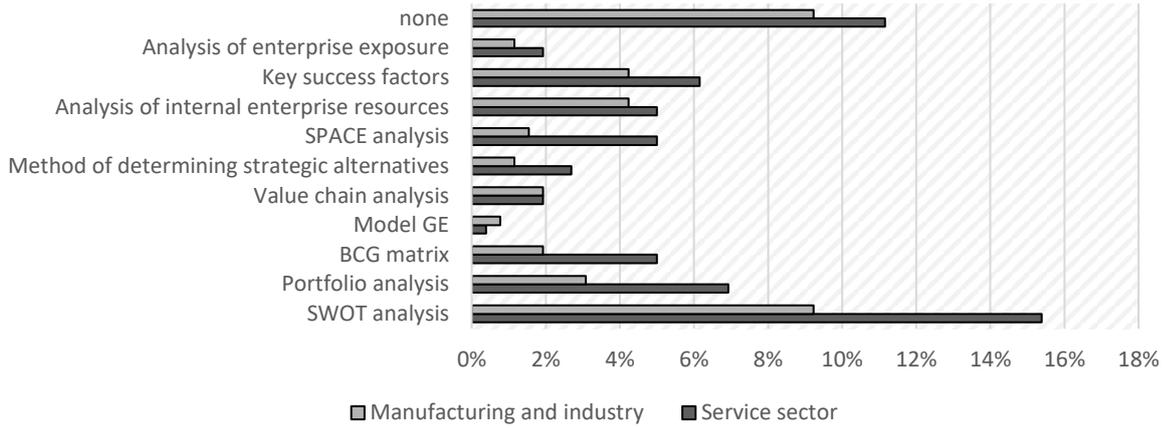


Figure 2. Use of internal strategic analyses by owners of small companies

Source: Authors.

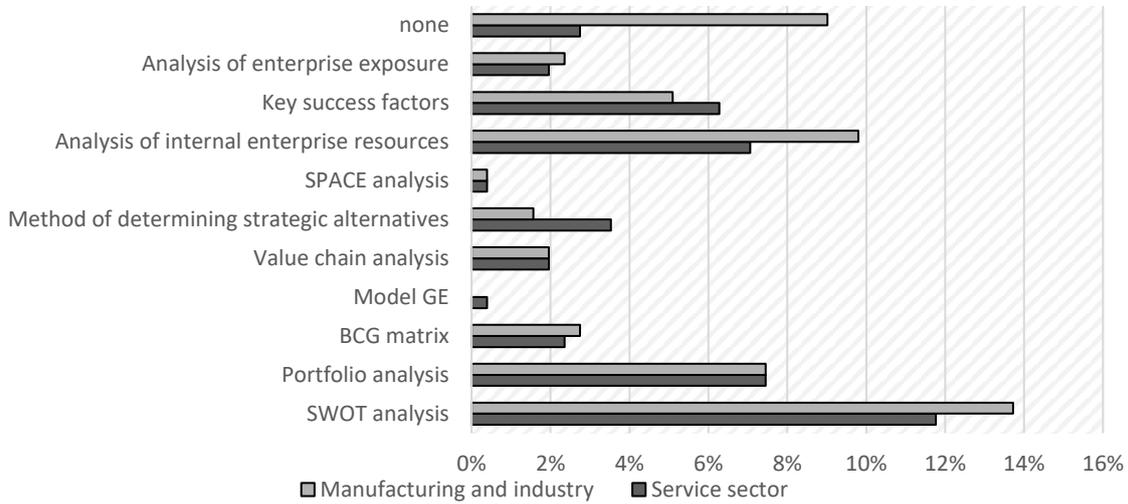


Figure 3. Use of internal strategic analyses by managers of medium-sized companies

Source: Authors.

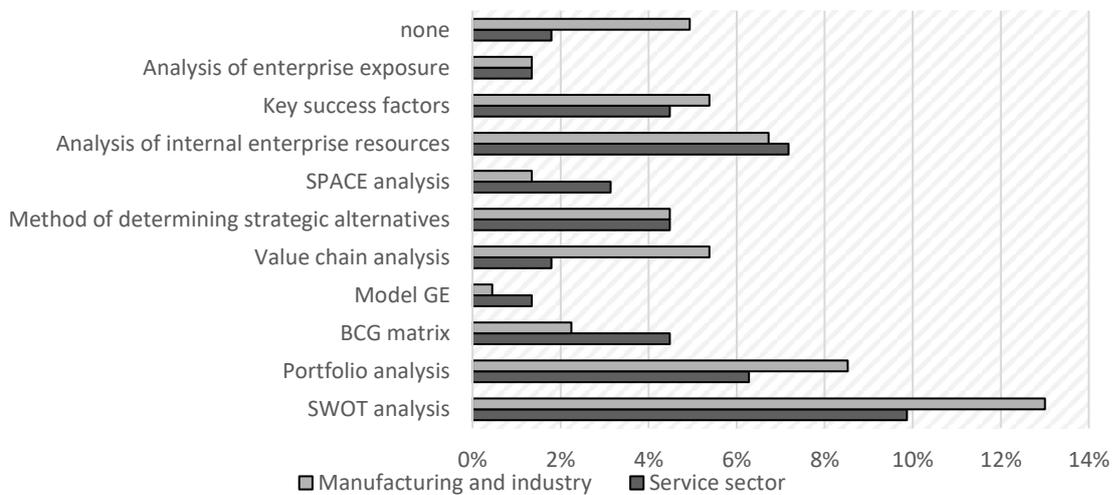


Figure 4. Use of internal strategic analyses by managers of large companies

Source: Authors.

As mentioned above, Figures 1 – 4 show the low level of knowledge and use of internal strategic analyses. In the case of micro-companies, this is evident in the services sector, where the “Analysis of key success factors” prevails, while in manufacturing companies, this is the knowledge and use of the world’s best known “SWOT analysis”, “Analysis of internal corporate resources”, and “Portfolio analysis”. However, the results achieved are highly alarming from the point of view of managerial competencies.

In the case of large companies, the results are slightly more favourable. In this category, where the knowledge and competencies should be most evident, a changing trend in the creation of corporate strategy and the weakening influence of strategic situation analysis, as described by several Czech and foreign authors, can be observed.

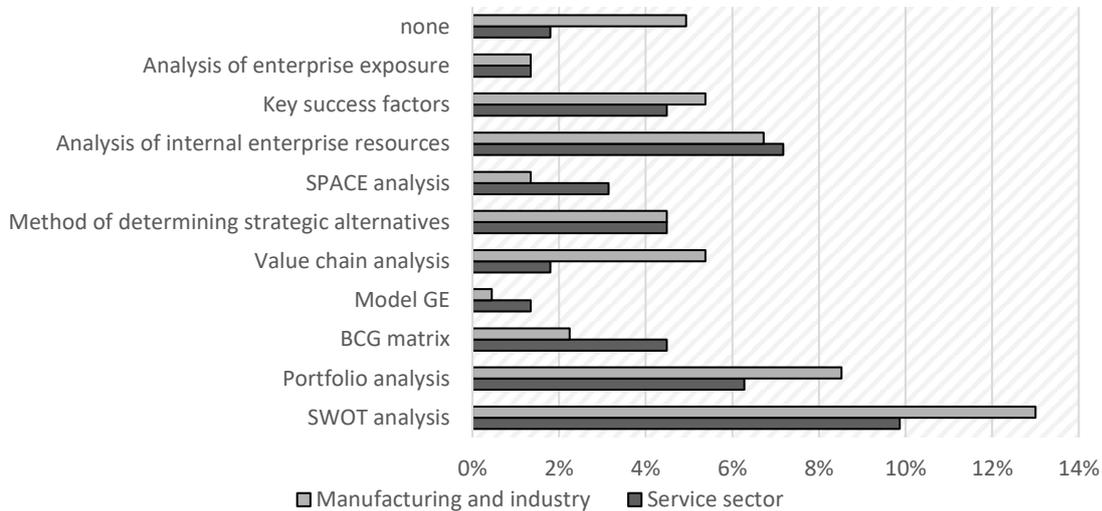


Figure 5. Use of external strategic analyses by owners of micro-companies

Source: Authors.

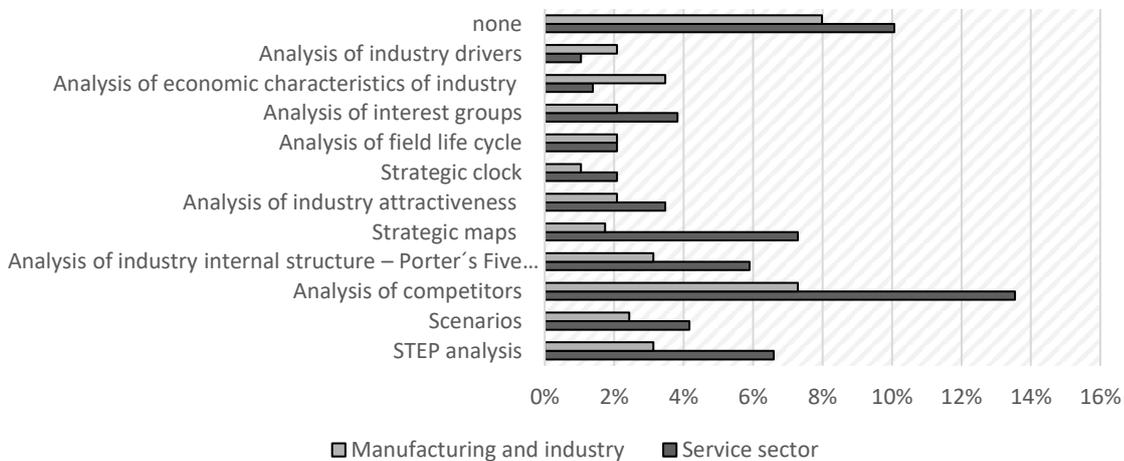


Figure 6. Use of external strategic analyses by owners of small companies

Source: Authors.

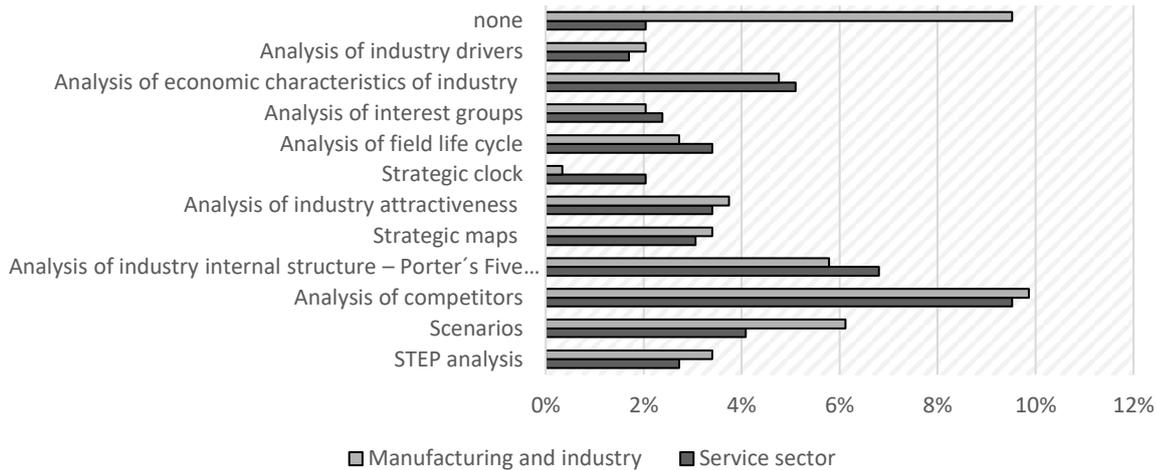


Figure 7. Use of external strategic analyses by managers of medium-sized companies

Source: Authors.

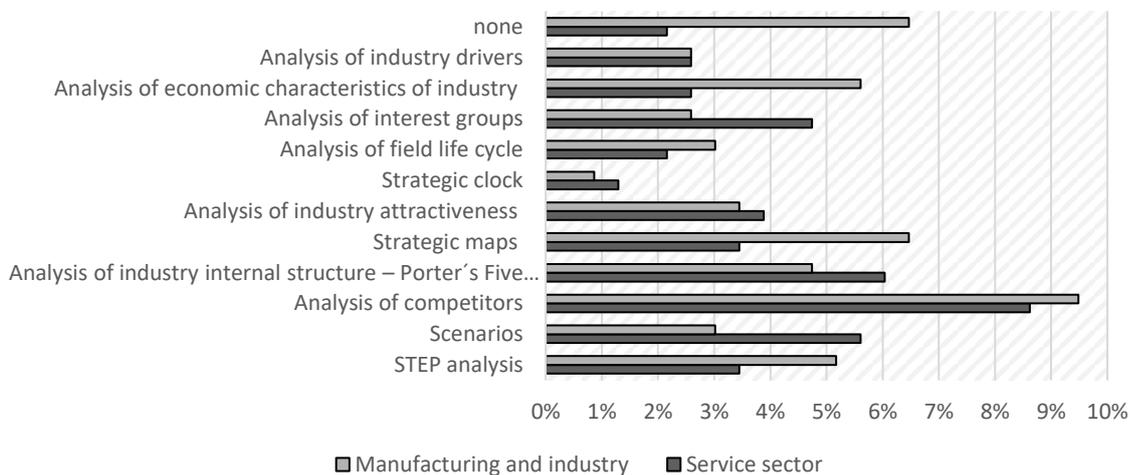


Figure 8. Use of external strategic analyses by managers of large companies

Source: Authors.

Figures 6 – 7 show the predominance of using “Analysis of competitors”. The owners of micro- and small companies appear to have deeper knowledge of external strategic methods than the owners of manufacturing companies.

In the case of medium-sized and large companies, the knowledge and use of “Analysis of competitors”, “Strategic maps”, and “Analysis of industry internal structure” prevail. Nevertheless, even with regards to these size categories, it can be stated that the results achieved are worrying from the perspective of the managerial competencies of top level managers. Even in the case of external methods, there is an evident declining trend in the importance of strategic situation analysis in business management and the creation of corporate strategy.

In conclusion, for all the aforementioned outputs it can be stated that, in accordance with the research conducted, the methods of strategic situational analysis in the corporate sector are gradually losing importance in terms of the mezzo- and macro-environments. This confirmed the assumption of the need to find a new tool for generating corporate strategy that includes both changes in a company’s internal environment and in its immediate surroundings. It is the shared opinion of the authors of this contribution that one of the most important new findings is the identified importance of the value chain for the profitability of companies. The importance of this statement is amplified by the high degree of economic growth at the time the research survey was conducted. This leads to the discussion in terms of the analysis and evaluation of value flows in a company as a basis for its strategic development, competitive advantage, or stability, that is, a generator of a successful business strategy.

4 Conclusion

From the outputs of the research concerning managerial knowledge and competencies in the area of strategic management and decision-making, the following conclusions can be drawn:

- In terms of strategic situation analysis, the critical state of the managerial competencies and knowledge of Czech managers was proved. More than 50% of managers have only a minimum or zero knowledge of the issue.
- The survey showed that the knowledge of Czech managers concerning strategic methods for the analysis of the internal and external environment are greatly lacking and that the task of academia is to solve this crisis by accelerating the transfer of new findings to the corporate sector.
- In the case of internal strategic analyses, a strong dependence was identified between business strategy and the “Analysis of value chain” according to sector differentiation, which confirms the importance of this method in the creation of business strategy.
- In the case of external analyses, a high degree of dependence was identified between business strategy and two methods, namely “Analysis of industry drivers” and “Analysis of interest groups” according to company size differentiation. Surprisingly, the dependence of business strategy on the “Analysis of industry internal structure”, which in combination with “Analysis of value chain” represents an important analytical tool for creating successful business strategy, was not confirmed.
- In terms of the knowledge and use of internal strategic analyses, the world’s best known and most commonly used SWOT analysis prevails in SMEs.
- In the case of knowledge and the use of external strategic analyses, for all size categories, the “Analysis of competitors” prevails; there are slight differences for the “Analysis of industry internal structure”, “Strategic maps”, and “Analysis of industry attractiveness”.
- In the case of large and (partially) medium-sized companies, a declining trend in the use of strategic situation analysis in the creation of business strategy can be observed.

Despite the partially positive results for large companies, the situation can be considered as an appeal to both the corporate sector and research platforms to change this situation. On the side of companies, there needs to be greater motivation to implement new findings in the field of strategic management and decision-making in corporate practice. However, this must correspond with the offers, or transfer of newly proposed and verified methods and tools for business strategy from the side of research organizations, including universities. A positive change in the given situation may be the fact that more and more requirements and demands are being made, in particular by small and medium-sized companies, for new, innovative forms of management and tools that correspond to the ever-intensifying competitive environment in the local, regional, Czech and international markets.

Despite the wide range of companies in the sample, which included two important sectors (manufacturing industry and services), the authors of this contribution are aware of the limitations of the outputs obtained. The main limitation is considered to be the fact that the research was conducted in a period of strong economic growth, and many of the managers’ views were affected by this fact. The research will therefore be repeated as the economic cycle changes. Another important factor the authors are aware of is the identified significant difference between the professional competence of younger managers compared to the managers of the older generation, who have a high degree of professional, practical skills and experience, but at the same time are less flexible, creative, and more sensitive to changes in the external environment.

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