The Macrotheme Review

A multidisciplinary journal of global macro trends

RELATIONSHIP BETWEEN THE STRATEGY AND CORPORATE GOALS

Monika Švárová and Ladislav Rolínek
University of South Bohemia in České Budějovice, České Budějovice, Czech Republic

Abstract

For every companies in today's turbulent times it is very important to clarify its strategy and business objectives. Strategy and objectives of the company are the cornerstone for business competitiveness and should be consistent. The aim of this paper is to map the relationship between the sustance of firm strategy and set corporate goals. This article is supported by the GAJU 079/2013/S Management Models of Small and Medium-Sized Enterprises (principal investigator doc. Ing. Ladislav Rolínek, Ph.D.). The issues are addressed on a sample of 187 small and medium-sized enterprises from the Czech Republic. Data was collected through face-to-face questionnaire survey , primarily using quantitative method supplemented by qualitative depth interviews. Due to incomplete information the analysis was carried out only on 129 small and medium-sized enterprises. Of the featured strategy the most frequent strategy is focused on quality (51 companies), stabilization of the market (25 companies) and customer satisfaction (18 companies). The companies had the opportunity to state 3 goals, and it was examined how the stated objectives correspond to the chosen corporate strategy. Of 129 listed strategies, there are 56 business-oriented and 73 customer-oriented enterprises.

Keywords: STRATEGY, CORPORATE GOALS

1.   Introduction and overview of the problem

Global environment around us makes heavy demands on every enterprise. Entrepreneurs have to know where they are heading, what they want to achieve, what are their competitive advantages and disadvantages compared to its competition. Clear, understandable definition of vision, mission and direction of the organization can play a key role in the company's success.

Sedláčková, Buchta (2006) sees the benefits of strategic management in giving clear goals and directions to the organization for its positive future development. According Alkhafaji (2003) the strategic is a process of assessing the corporation and its environment in order to meet the company´s long term objectives of adapting and adjusting to its environment through manipulation of opportunities and reduction of threat.

Strategy is defined as a trajectory or path towards predetermined goals, which is formed by corporate, competitive and functional areas of attitude, used by management to define the position of the company and to manage the overall structure of its activities (Mallya, 2007). Shaping the strategy represents an important creative activity, usually performed by a team, which should be done by senior management in direct cooperation with the statutory authorities (Veber, 2000). Dedouchová (2001) distinguishes between two levels of strategy which are traditional and modern. The traditional concept of strategy understands the strategy of the company as a document where long-term objectives of the company are described, and also defines the course of the operations and the resources needed to meet the goals. Modern definition of strategy, on the other hand, highlights the readiness of the company for the future. The strategy includes the long-term objectives of the company, the course of the strategic operations and deployment of enterprise resource, so the goals of the company can be met. Strategy perceived in this way comes out of business needs, takes into account changes in its resources and capabilities and allows adequate response to changes caused by the environment of the company.

In order to become a successful, enterprise must have clear, realistic, feasible, measurable and achievable goal (Olsen, 2011). Companies do not have only one goal, but should settle a priority objective, which primarily needs to be achieved. The primary objective is most often the profit maximization. There are also other alternative business goals such as maximizing revenue, maximize business growth, maximizing the use of management skills, maximizing the net value of the company, increasing market share in the market, technological leadership of the company, long-term stability, higher wages, long-term survival of the organization, a certain proportion of the market (Dwivedi , 2002). Currently, companies do not pursue only economic goals, but they are also part of the political, social and cultural environment. Modern businesses are trying to improve their social position in the country or region, create a good corporate reputation as a good employer, sport supporter or sponsor of other activities. Neither of these goals doesn't have to be in conflict with the primary objective (profit maximization), but these secondary objectives may contribute to the primary goal (Benabou and Tirole, 2010).

To achieve corporate goals, all areas of the business have to be driven in a certain direction, and it is this direction which is given by corporate vision and mission. To meet these ambitious objectives, it is necessary to define, properly implement, manage and review the strategy. In recent increasingly challenging business environment enterprises are literally forced into adopting this attitude (op. Online: systemonline). A well-functioning enterprise, according to Walker (2003), links a job performance and business goals, to achieve continuous improvement of work performance. To achieve this, the enterprise needs to follow these points:

• The objectives are closely aligned with corporate strategy.

• Goals are broken down from top to bottom; the sum of all individual goals is a source of strength of the company and fulfillment of business strategies.

• Processes for establishing corporate and individual goals are linked.

The more the enterprise can concentrate objectives into major primary operations, the more the direction of the strategy becomes accurate and resources availability accessible (Jirásek, 2003; Vochozka, 2012).

2.   Metodology and goals

The aim of this paper was to analyze the bond of business goals and strategy. To determine whether enterprises that focus on themselves, have greater linkage of business objectives and strategy than enterprises that are customer-oriented.

2.1 Characteristics of the sample

Data were collected from 187 companies, but only 129 companies had complete information about strategy and corporate goals. Research sample was selected using non-probable random selection, according to circumstances of the data collection. The data necessary for conducting the research were collected by a questionnaire survey and these data were supplemented by qualitative data, obtained through in-depth interviews. The extended (qualitative) data were used primarily to specify uncertainties.

2.2 Methodology

The companies were divided into two groups; to enterprises that base their strategy on enterprise (enterprises, that based their strategy on innovation, market coverage, expansion of the company, service development, sales growth, stability of the services, market stability, staff participation and profit) and customer-oriented enterprises (strategy based on the quality of products or services, customer orientation, personal attention and customer satisfaction).

2.3 Methodology for statistical comparison

Two hypotheses were put within the results. A null hypothesis, which says that both groups of enterprises (enterprises oriented on themselves and customer-oriented enterprises) do not differ according to linkage of business strategy and corporate goals and alternative hypothesis - better integration of business strategy with corporate goals show a company-oriented enterprises.

Data was tested using the Wilcoxon test for independent samples and its asymptotic variant. It is a nonparametric two-sample test, which is typically used when condition of normality of data is not met.

Let X_1, X_n and Y_1... Y_m be two independent random samples from two continuous distributions, whose distribution functions can only differ in position. X_0, y_0 and 50 , 50 are identified as the median of the first and second layouts. The hypothesis, that the distribution functions of the two layouts are identical, is always tested. In other words, that the medians are equal. Compared to the alternative hypothesis, that the first median x_0, 50 of companies that are company-oriented, is greater than the latter (Freund, Wilson et al., 2010; Friedrich and Májovský, 2010) .

$H_0 = x_{0,50} - y_{0,50} = 0$

$H_A = x_{0,50} > y_{0,50}$ (Budíková, Králová et al., 2010)

In the first stage, all the (n + m) values X_1 , ..., X_n and Y_1 , ..., Y_m are arranged in ascending order according to size. Furthermore, the totals of order of values X_1 , ..., X_n are calculated.

If statistics mn is equal or higher than tablet critical value for the selected ranges of both selections and chosen level of significance, the null hypothesis for the identity of the compared groups can be denied at the significance level α = 0.05.

Since for both samples in all test cases fulfil the condition that n , m are greater than 30 it is approached to the asymptotic variant of Wilcoxon test (Mann - Whitney test), which is used for m,n greater than 30 (Budíková, Králová et al., 2010).

3.   Results

First was tested the hypothesis, which says that enterprise-focused enterprises and enterprises that are customer-oriented, show the same linkage between business strategy and business objectives on significance level of α = 0.05. Enterprise-focused companies are made of enterprises whose strategy is based on innovation, market coverage, expansion of the company, service development, sales growth, stability services, market stability, maintenance of personnel, employee involvement and profit. The group of customer-oriented businesses is made up of businesses that base their strategy on the quality of products or services, customer orientation, personal attention and customer satisfaction).   X represents enterprise-oriented companies and Y companies which are customer-oriented.

$H_0 = x_{0,50} - y_{0,50} = 0$ $H_A = x_{0,50} > y_{0,50}$

Table 1 Results

	enterprise orientation	customer orientation	U	Z	p-value.	N enterprise orientation	N customer orientation
connectedness	4728,500	3656,500	955,5000	5,170022	0,000000	56	73

Source: authors

Table 1 shows the most important values that can be concluded from the results, which were carried out by Statistica software. Column titled enterprise orientation includes businesses that are focused on them and a column called customer orientation shows on the contrary businesses whose strategy is customer-oriented. U stands for desired minimal value from U_1 and U_2. Z stands for values of asymptotic test statistic in methodic marked as U_0, P–value is calculated desired value which will be compared against α and used for rejecting or not.

P-value = 0.000000

α= 0.05

P-value < α

0.000000 < 0.05

In this case final p-value is 0,000000 is less than chosen alpha, and we are able to reject the null hypothesis on the significance level 0.05. And at the same time H_A was confirmed, since half of the p-value is less than alpha.

The results suggest that enterprises that focus on themselves show greater linkage between business objectives and strategy.

4.   Conclusion

The linkage between business objectives and strategy was discussed in the paper. The aim was to determine whether enterprises, which focus on themselves, have greater linkage between business objectives and strategy than enterprises that are customer-oriented. This fact was proven.

The paper is based on data obtained from 129 small and medium-sized enterprises.

Based on the obtained results, it can be concluded that the greater linkage between business objectives and strategy can be found in enterprise-oriented companies. This may be caused by the fact that most enterprises set quantifiable goals, such as the level of profits, revenues, costs, etc., which are also used to define strategy at enterprise-oriented companies. Customer-oriented enterprises, on the contrary, build their strategy on customer satisfaction, increase of product's quality, etc., which does not have to fully correspond with the primary objectives of the company.

References
ALKHAFAJI, A. F., 2003: *Strategic Management: Formulation, Implementation, and Control in a Dynamic Environment*. Philadelphia: Haworth Press, 317 s. ISBN 9780789018106.

BÃNABOU, ROLAND and JEAN TIROLE. Individual and Corporate Social Responsibility. *Economica* [online]. 2010, vol. 77, issue 305, p. 1-19 [cit. 2013-11-12]. DOI: 10.1111/j.1468-0335.2009.00843.x. http://doi.wiley.com/10.1111/j.1468-0335.2009.00843.x

BUDÍKOVÁ, Marie, Maria KRÁLOVÁ and Bohumil MAROŠ. *Průvodce základními statistickými metodami*. 1. ed. Praha: Grada, 2010, 272 p. ISBN 978-80-247-3243-5.

DEDOUCHOVÁ, Marcela. *Strategie podniku*. Vyd. 1. Praha: C. H. Beck, 2001, xiv, 256 s. ISBN 80-717-9603-4.

DWIVEDI, By D. N. *Microeconomics: theory and applications*. New Delhi: Pearson Education, 2006. ISBN 978-817-7586-480.

FREUND, Rudolf J, William J WILSON and Donna L MOHR. *Statistical methods*. 3rd ed. Boston: Elsevier, c2010, xxi, 796 p. ISBN 978-0-12-374970-3.

FRIEDRICH, Václav and Renata MAJOVSKÁ. *Výběr z ekonomické statistiky: od OECD k České republice*. Ed. 1. Praha: Wolters Kluwer Česká republika, 2010, 56 p. ISBN 978-80-7357-537-3.
JIRÁSEK, Jaroslav A. *Strategie: umění podnikatelských vítězství*. 2. ed. Praha: Professional Publishing, 2003. ISBN 978-808-6419-466.

MALLYA, Thaddeus. *Základy strategického řízení a rozhodování*. Praha: Grada Publishing, 2007. ISBN 9788024719115.

OLSEN, By Erica. *Strategic planning kit for dummies*. 2nd ed. Indianapolis, IN: Wiley Pubishing, Inc. ISBN 978-111-8178-492.

SEDLÁČKOVÁ, H. and BUCHTA, K., 2006: *Strategická analýza*. Praha: C. H. Beck, 121 p. ISBN 8071793671.

Systemonline: Balanced scorecard [online]. 2013[cit. 2013-11-12]. Dostupné z: http://www.systemonline.cz/business-intelligence/balanced-scorecard-jak-dosahnout-podnikovych-ambici.htm.

VEBER, Jaromír. *Management: základy, prosperita, globalizace*. Vyd. 1. Praha: Management Press, 2000, 700 s. ISBN 80-726-1029-5.

WALKER, Alfred J. *Moderní personální management: nejnovější trendy a technologie*. 1. ed. Praha: Grada, 2003, 253 p. ISBN 80-247-0449-8.

VOCHOZKA, Marek and Petr MULAČ. *Podniková ekonomika*. 1. ed. Praha: Grada, 2012, 570 p. Finanční řízení. ISBN 978-80-247-4372-1.