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DEVELOPING PROPOSITIONS FOR EMPIRICAL TESTING OF THE SCHOOLS OF STRATEGIC MANAGEMENT; PATTERN AND REMARKS

Authors in this paper draw attention to four different relations in Strategic Management research. Firstly, it is about the differences of the philosophical approach between realism and constructivism as the two most employed approaches in the development of Strategic Management. Apart from the development of topics, there was a very moderate research of the development of the field itself and the foundations for its development. There had been just several discussions of the philosophical foundations of strategy. Secondly, it is about the extensive historical overview of the research on the process of strategic management. The authors have developed a pattern of existing schools of strategic management in the three groupings. Thirdly, it scales down the level of research from the macro level down to the individual level- the top manager. Fourthly, it suggests the bridge between the theoretical concepts of schools of strategic management and the empirical testing in order to prove its relevance and practical use for top manager in everyday lives. The paper proposes a new classification of the schools of strategic management. The further research should be directed toward elaborating propositions into hypothesis and following the suggestions and remarks when performing empirical testing on four suggested schools of strategic management.

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Introduction

Strategic Management is a young discipline that celebrated 30 years of the first field's textbook, written by Hofer and Schendel, in 2008. Since 1969, Strategic Management was a label for the doctoral specialty suggested by Dan Schendel, later on proposed as the name of the field on one of the Business Policy conferences in 1977 (Schendel, 1994, p. 1). The unconventional name (Strategic Management) had the task to denote *new ways of thinking that were called for by the issues facing the field of Business Policy* (Schendel, 1994, p.1). Strategic Management could be considered both, a young and mature research field. It is young discipline due to the weak consensus and relatively low levels of productivity, although research outcomes are shaped more by universalism than particular factors- a characteristic of a very mature discipline (Boyd, Finkelstein, Gove, 2005, p. 852-853).

Since those times, Strategic Management is in a constant search for new paradigms. Each decade there was an urge for the next stream of research in the spirit of newly proposed paradigm and special issues of Strategic Management Journal proposed the directions for further research (Camerer, 1985, Montgomery, Wernerfelt, Balakrishnan, 1989, Prahalad, Hamel, 1994, Shook Ketchen, Cycyota, Crockett, 2003). Apart from the issues developed in the research papers, little attention was paid to the body of research concentrated on the normative development of the field of Strategic Management itself according to the postulates of development as a science.

The task of this article is to denote the research about the Strategic Management field itself on one of the research topics- the process of strategic management. There are two distinctive underlying lenses; realism and constructivism that separate two of the most frequent points of views in strategic management. The article offers an overview of the existing schools of strategic management and gathers them in three different grouping according to the employed logic. The article suggested theoretical foundations for the new classification of understanding process of strategic management and offers propositions for validating the empirical research and testing on Croatian top managers. The importance of this article is to set a solid ground for empirical testing which would encompass the variety and not the limitations of the researchers' perception.

The first section deals with the development of Strategic Management according to the two most widespread philosophical approach employed; realism and constructivism. These are two completely different points of view about the development of Strategic Management as the science. The second section offers an overview of the more practical manifestations of the philosophical approach-schools of strategic management. It is a belief or paradigm shared by top managers about the process of strategic management. The overview is structured in a concise table and presented with the pattern of the classification. The third section deals with the development of the propositions needed to empirically test the constructs of strategic management schools and their relation with the financial results. The paper concludes with the remarks for empirical testing and a brief conclusion.

Implementing Theory of Science Perspectives on Strategic Management Research

At the very beginning of the field Strategic Management, (at that time Business Policy), was strongly empirical by nature. It was established in order to help top management to lead firms and therefore all the research was intended to be directed toward the practical implications and suggestions for running a business in an increasingly competitive environment. Humbly, there was always an ambition for Strategic Management to be considered real research field and distinctive discipline. In order to fulfill this ambition a lot of empirical approach had to be put in the context of different epistemological and ontological discussions- directions of thought that each discipline of social science goes through. Such a debate was accommodated in the most eminent publications like Strategic Management Journal or Academy of Management Review. Slowly, the field turned the focus toward the theory development (Hoskisson, Hitt, Wan, 1999) with the attempts to return to the practical problems and issues from real life (Whittington, 1996).

The most eminent ideas of philosophy of science implemented in the strategic management field are: positivism, realism, empiricism, constructivism, pragmatism, reductionism (Foss, 2007) or attempts to combine them in a pluralist/integrative approach. The most notable discussion was between (critical) realism and (moderate) constructivism (Smircich, Stubbard, 1985, Mir, Watson, 2000, 2001, Kwan, Tsang, 2001) and therefore there is a short summary of distinctive characteristics of these two approaches in the following table.

Table 1

**THE COMPARISON BETWEEN THE DISTINCTIVE
CHARACTERISTICS OF REALISM AND CONSTRUCTIVISM
APPROACH TO STRATEGIC MANAGEMENT**

Positions	Realism	Constructivism
	Things exist independently of their being theorized or experienced	Rules and principles do not exist independently of our theorizing about them. Views knowledge as the outcome of experience mediated by one's own prior knowledge and the experience of others.
Epistemological assumption	Post positivist perspective, epistemological realism is a subcategory of objectivism	Nonpositivism, contrary to objectivism
Main idea	Through the deployment of "reason" can a theory be proven or refuted	Theorizing of phenomena to inquiry, not the phenomena themselves, context-driven nature of theory creation
Starting point	Better theories are the ones closer to truth; finding should not be generalized unless they can be replicated across samples, populations and research methods.	Preconceived notion-a default theory about the nature of the problem and a possible solution for it, transparent about the a priori theoretical position, provide multiple representations of reality
The value of theory	Theories could be either true or false	The separation between theory and practice is impossible, the separation between the researcher (subject) and the phenomena (object) impossible, research occurs within a community where mutually held assumptions are deployed to create "conversation"
The role of the researcher	Reality exists independently of our minds. Pure theories, observations and methods are all fallible.	Active, guides practice, part of network, human experiencing involves continuous active agency, researchers are never objective or value-neutral
Sub directions	- Critical realist (equals anti-positivist) and dogmatic (Kwan, Tsang, 2001) - Naïve, empirical or scientific realism, critical	- Radical, physical, evolutionary, postmodern, social (Berger and Luckmann, 1966), information processing - moderate and radical (Hess, 1997). Moderate constructivism is compatible with realism, radical constructivism is form of antirealism - cognitive and social

Positions	Realism	Constructivism
Representative	Boyd, Bhaskar (critical realism)	Kuhn, Kant, Nelson, Hayek, Schopenhauer
fields in strategic management	Transaction cost economics, agency theory, the resource-based view	Process approach, historical overview of forming M organisations
Applied in the strategic management	Montgomery et al. (1989), Godfrey, Hill (1995)	Elfing, Jensen, Money (1996), Astley (1985), Scherer, Dowling (1995), Shrivastava (1985), Whittington, Chandler

Source: Authors based on the following sources (Mir, Watson, 2000; http://carbon.cudenver.edu/~mryder/savage.html#def_constructivism, <http://viking.coe.uh.edu/~ichen/ebook/et-it/constr.htm>, Greenhalgh, Harvey, Walshe, 2004)

Realism is the position according to which researchers in strategic management try to approach the truth by using robust methods and the strict methodological approaches in order to reach for the reality. Researchers cannot influence the reality or truth, and only by replicating methods and research findings it could be generalized on the whole population. The critical wing of realism emphasizes the situational approach to contingency, realizing that specific factors influence specific situations and they have to be noted. Realism is the main stream position in the strategic management research.

Traces of constructivism point of view in the research on strategic management could be found in the work of Chandler and Whittington when describing the historical, social and political settings of different issues in strategic management, giving them meaning, and significance in another settings- different time horizon and locations. According to constructivism, researchers are seen as tool-makers (Spivey, 1995, p. 314) that are part of a network that creates knowledge and ultimately guides practice. It is impossible to separate the researcher from the phenomena under investigation. The next important link is about the conception between the practice and theory. For constructivist, practice exists both, before and after theory. Pretheoretical praxis leads to the formalization of theory, and ultimately guides future praxis (Butts, Brown, 1989 vity by Mir, Watson, 2000).

Two of these positions are the most widespread positions among the strategic management literature. They hold quite opposing sides and approaches to research phenomena, researcher and the treatment of research results. When specific idea appears in the paper it is necessary to denote whether author complies with the ideas either (critical) realist or (social) constructivist in order to be able to understand and criticize the specific contribution. Both positions are accepted in the epistemological point of view, and they should not be evaluated according to

the principles of the opposing position but rather the position that researcher has accepted in the introduction of his paper.

There are few other discussions between the less philosophically inherited positions, like mechanistic- organic perspective on strategy (Farjoun, 2002). At this point the focus on overviews of the strategic management changes from the one having foundation in the philosophy of science toward the one having the foundations in the content of strategic management, actually examples of such philosophical approach. An example is also the swinging pendulum (Hoskisson et al. 1999), denoting the concern for the inside/outside view of the company (resource-based view, industrial organization, organizational economics).

Toward the Schools of Strategic Management

When directing this discussion more closely to practical value for top managers it is important to mention two concepts that seem to be quite interconnected; strategic belief management (Foss, 2007a) and paradigm (Kuhn, 1996, Ansoff, 1987). Each person has a believed point of view shared by a team, colleagues and family. When talking about top managers it is important to realize that these beliefs are influential because it shapes the way top manager manages not only private, but business issues important for the whole company. His belief becomes strategic and shared by his closest team at the top of the company. In the same sense the paradigms share the same viewpoint of some strategic issue on the company. They are formed by the same type of “sunglasses” that manager has on specific strategic issues. Ryall (Ryall, 2003 cited by Foss, 2007a) applying the game theory method showed that *self-confirming equilibrium can arise in the context of market interaction when managers' subjectively rational decisions produce events that are consistent with the same managers' expectations. Strategizing is ultimately rooted in what you believe about your competitors, what they believe about you, what you believe that they believe about you (Tirole, 1988, Shapiro, 1989 cited by Foss, 2007a).*

In this paper schools of strategic management denote a paradigm shared by top managers about one specific issue in strategic management- the process of strategic management. There has been a great deal of schools of strategic management suggested in the literature of strategic management. They have not be labeled *school of strategic management* but rather strategy development process frameworks (Feurer, Chaharbaghi, 1995), views, approaches, strategy making process (Mintzberg, 1973), organizational decision strategies (Grandori, 1984), and strategy making typologies (Hart, 1992). What they all have in common is the search for the clear understanding of the existing paradigms in different time settings of these

classifications. They all focus on top manager and his belief or specific point of view on the process of strategic management. By proposing this table our work starts to be determined by constructivist postulates and therefore it should be evaluated by their point of view. In the table 2 there is a short overview of the schools of strategic management proposed in the literature of strategic management.

Table 2

OVERVIEW OF THE SCHOOLS OF STRATEGIC MANAGEMENT

Author	Year	Criteria	Classification	Comment
Mintzberg	1973	Distinct groupings or "modes" of strategy-making	Entrepreneurial Planning Adaptive	An organization will find some combination of the three that reflects its own needs (to fit the situation) mixing them in different stages of development, function or parent/subunit
Miles, Snow	1978	Different strategies arise from the way firms decide to address three fundamental problems (entrepreneurial, engineering, and administrative).	Prospectors Analyzers Defenders Reactors	No single strategic orientation is the best, there should be simply establishing and maintaining a systematic strategy that takes into account a company's environment, technology, and structure.
Bourgeois, Brodwin	1984	Approaches that CEO can employ when dealing with the company, the classification is sorted by the increasing level of engaging employees in the process of strategic management	Commander Change Collaborative Cultural Crescive	None of these approaches is correct for all firms. It depends on the; degree of diversification, rate of growth, change and existing culture.
Grandori	1984	Various properties of decisions models depending on two factors; uncertainty and conflict of interest, comparing different organizational decision strategies	Optimizing Satisfying Incremental Cybernetic Random	The methodology proposed here is prescriptive by nature. It represents the grading of a decision under the different levels of uncertainty and conflict.
Mintzberg, Waters	1985	Exploring the relationship between the leadership plans and intentions and what the organizations actually did.	Entrepreneurial Planned Ideological Umbrella Process Consensus Unconnected Imposed	More elaborated types of strategy between the deliberate- emergent strategies along the continuum.
Chaffee	1985	Depending on the way actions have been taken, the content of strategy and the process by which actions are decided and implemented	Linear Adaptive Interpretative	Primary focus on the three distinguishable mental models, and each organization should start at the lower level (linear) and progress (adaptive) toward the complexity level (interpretative) of dealing with the strategy implementation.
Mintzberg	1987	When the strategy is decided and the way it is decided upon	Plan Position Ploy Perspective Pattern	Five definitions of strategy which actually represent the five ways of approaching process of strategic management. They mutually compete and complement.

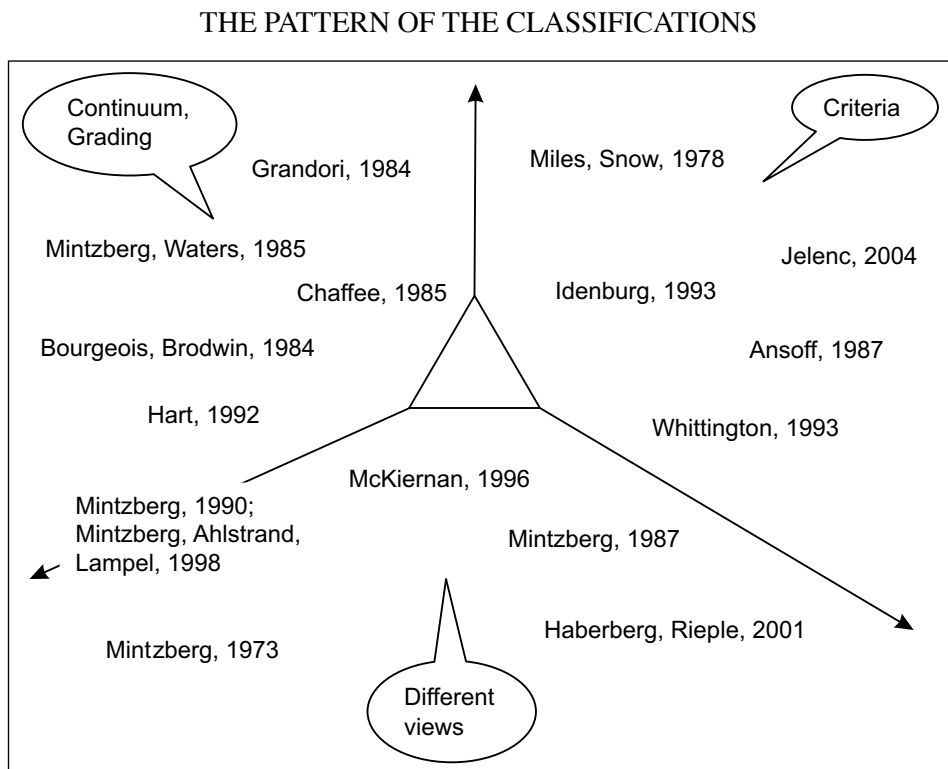
Author	Year	Criteria	Classification	Comment
Ansoff	1987	Problem dimension, process dimension, rationality dimensions	Systematic Ad hoc Reactive Organic	Strategic behaviour is based on validity of the several domains; scientific-optic, decision process, power, culture, and environmental pressure.
Hart	1992	Varying roles of top managers and organizational members playing in the strategy-making process	Command Rational Symbolic Transactive Generative	Strategy making is an organizationwide phenomenon.
Idenburg	1993	Goal orientation (what) and process orientation (how)	Rational planning, Logical incrementalism, Guided learning, Emergent	All four views of the strategy development process should be taught and developed in the firms on the equal level.
Whittington	1993	Generic approaches; the outcomes of strategy and the processes by which it is made	Classical, Evolutionary, Processual, Systemic	Different views about the human capacity to think rationally and act effectively.
McKiernan	1996	Distinctive and clear way of identifying strategy past and future.	Planning and Practice school, Learning, Positioning, Resource-based view	Modern contributions in strategy, not excluded but interwoven
Henry Mintzberg; Henry Mintzberg, Bruce Ahlstrand, Joseph Lampel	1990, 1998	First three prescriptive in nature (should be), next six describing how (actually do), the last is combination of all others	Design, Planning, Positioning, Entrepreneurial, Cognitive, Learning, Power, Cultural, Environmental, Configuration	Schools of strategy formation in publications and in practice, the review of the evolution as well as the current state of the field.
Haberberg, Rieple	2001	General overview on the process of strategic management including option of organizational anarchy	Planning, Process, Decision-preference Organizational anarchy, Ecological, Political, Visionary	The views are only perspectives that could be combined together to form a more realistic approach of top manager toward the process of strategic management. Authors include organizational anarchy which other authors do not take into account.
Jelenc	2004	Active or passive role of top manager and historical or future trends	Classical, Environmental, Competitive, Contemporary	Tested only among the large companies in the Republic of Croatia.

From the very first classifications suggested there was clear conclusion that the field of strategic management cannot be put within the framework of only one paradigm. The analogy is that there is no unique recipe for being successful. And strategy is only the instrument of putting these different success recipes into practice. Strategic management is necessarily a multi-paradigmatic discipline, requiring varied theoretical perspectives and methodologies (Hoskisson, Hitt, Wan, 1999, p. 444).

All of the proposed classifications have a specific time setting and circumstances that served as base to create the classification. They cannot be characterized as right or wrong, useful or useless but rather on a different level of cognition. The variety of schools could denote the development of paradigms in nature, number, directions and different focus.

Another point in those schools show that it is the company who develops strategy or process of strategic management based on the perception of their envi-

Picture 1



ronments. In the light of this paper, there should be stressed two things. First, the company is not the subject of analysis, rather the level on which the decisions like this are taken. It is the task of top manager and his team who develop the strategy or process of strategic management based on the perception of their environments, not the company itself. The second point is that there is a strong need to point the influence of the individual, not the aggregation of all firms, industry level behavior, but rather the behavior of the most influential person in the company- the top manager.

Another point is that some of the proposed classifications could be seen as the management styles approach rather than school of strategic management. We agree that this could be seen as management style only as one of the outside manifestation of the paradigm and strategic belief management. Schools try to explain the root of such a style regardless of the cultural, but rather philosophical underpinnings in the top managers' perception. Culture could be the moderator or even the mediator of such a relation, but not the only predictor of behavior.

Some of researchers proposed a joined view, or a combination of several modes in their classification as later on explained in their classifications. Generally speaking, there is a certain pattern of the proposed classifications which could be depict from the Picture 1.

Generally speaking there have been three groups of schools of strategic management. They could be depicting from the nature of the classifications and the point the author tried to emphasize. The first group is the classifications produced by grading certain criterion. It is not important the group in which top managers has been put, but rather a point on the continuum about his preferences. The second group is the criteria based classifications in which one, two or three criteria are important to make two/three/four relations available for top managers. The third group are the classifications with no specific criteria, rather different point of views that research regarded crucial or important to mention. In this group there is no specific pattern or criterion rather a rule of thumb that guided researchers in their suggestions.

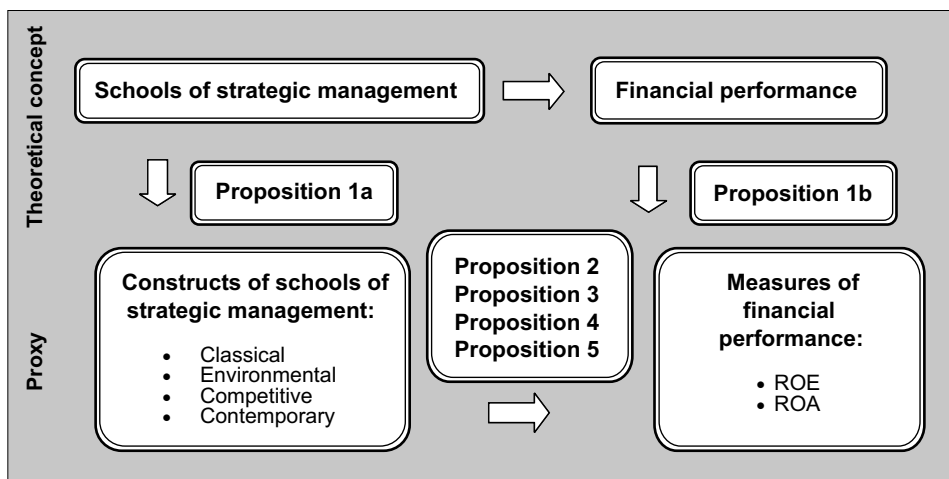
The extensive overview of the literature had the task to explain different point of views and research engagement in this specific topic. Classifications of schools of strategic management appear in the literature each several years and there are no specific stages of development among them. They offer the retrospective overview of the researchers' understanding of the development of the strategic management. All of them are the result of the theoretical perspective. Very few of them have been tested empirically, but only after they have been developed in the literature, always by other researchers, that the ones who established the school of strategic management. This paper is directed toward the propositions which could be used to test the existence of the proposed schools of strategic management and empirically verify their usefulness in Croatian practice.

Generating propositions for empirical testing

We took into consideration one of the schools of strategic management that was the most recently developed school by one of the authors of this paper. This classification is the latest developed classification of schools of strategic management based on the theory development of the strategic management as such and have been partially empirically tested in one of the Counties in Croatia (Primorsko-goranska county). Schools of strategic management and financial performance are theoretical concepts and it is highly impossible to measure them directly. Therefore we made a proxy for each of the concepts (Picture 2).

Picture 2

THEORETICAL CONCEPTS AND THEIR SUGGESTED PROXIES



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 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.

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.

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. (Christensen et al., 1985) and Andrews (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 company, 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 deals with 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, 1997). The cultural school of strategic management stresses the importance that sets of values, norms, and habits have in the company. The systemic school of strategic management (Whittington, 1993) says that the individual's behavior in the company 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 company's success. The positioning and analytical schools of strategic management develop the models of competitiveness on several levels: industry level (Porter, 1979, 1980, 1991), company 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, 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 (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, 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.

Proposition 1a: *Theoretical concept of schools of strategic management can be measured with the four proxies –constructs of schools of strategic management.*

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 companys). 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 offers only a limited overview of the company's 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 company 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 company. Therefore, the methodology of perceiving performance from different perspectives (like Balanced scorecard) is a holistic view on the firms' success.

Strategy involves the use of resources that give the company 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. Return on investment (ROI) is a measure strongly correlated with measuring business results in a project type of business. It is oriented toward the potential of the investments in the future (or the track of the investments in the past), while ROE and ROA are the results of the past actions on which top management base their strategic decision.

Both measures, ROE and ROA are highly dependent on the industry. They represent the idea of how effectively the company 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 company'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 company 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 paper we suggest following financial indicators: the value of return on equity (ROE) and return on assets (ROA) over, not only one year rather, a longer period of time.

Proposition 1b: *The theoretical concepts of financial performance can be measured with the two proxies- measures of financial performance; ROE and ROA.*

The following propositions are about the nature of schools of strategic management and its relation to measures of financial results. There is a vague relationship between strategy and strategic activities and the company'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.

According to Hart and Banbury (Hart, Banbury, 1994, p. 265), the strategic process is a significant predictor of company 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). Therefore the perspective on the process of strategic management could determine the level of achieving financial results.

Proposition 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.*

Proposition 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.*

Proposition 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.*

Proposition 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.*

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 company and its characteristics promote a specific school of strategic management.

Proposition 6: *The way top managers perceive certain schools of strategic management can be explained with contingency factors.*

Remarks about the empirical research

The previous empirical research (Jelenc, 2004) performed on medium and large firms at the territory of Primorsko-goranska county tested the theoretically suggested school of strategic management¹. Out of the four proposed schools, three proved to be relevant in practice; classical, environmental and competitive-contemporary school. The proposed empirical research should be directed toward testing the existence of schools of strategic management on the whole territory of the Republic of Croatia and validate the results from the previous research.

The research unit of the analysis should be 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 company, we have decided that he/she should be 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 company are made by a small group of seniors, the CEO or equivalent.

This paper 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 company. 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 task 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.

¹ N=79. Response rate is 62.2 %. The value of Cronbach alpha is the following: the Classical school 0.81, the Environmental school 0.87, the Competitive school 0.87 and the Contemporary school is 0.89. Factor analysis results are: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations. Supressed values les than 0.30. Bartlett's Test of Sphericity sig. 0.000. Kaiser-Meyer-Olkin Measure of sampling adequacy: 0.592. Variance explained 41.895%. After performing factor analysis the value of Cronbach alpha is: the Classical school 0.81, the Environmental school 0.82, the Competitive-contemporary school 0.92 and the value of alpha for all construct is 0.85. The top manager's profile of the average respondent is between 45 and 59 years of age (60.76%), with college degree (63.29%), working in the private (62.02%), mainly service oriented firm (68.35%), between 100 and 199 employees (39.24%), operating on the domestic market (66 %) in the firm with the tradition between 10 and 49 years on the market (36.71%).

The perceptions of top managers about the process 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 company, thus building the image of the company 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 company, 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 should be **large firms** in 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 is formalized or, at least, is a conscious activity that regularly takes place. Top managers recognize the importance for further specializing themselves to deal with such challenges. Furthermore, they have resources and human capability allowing their strategic activity becoming more competent, complex, and effective. This should prove itself beneficiary to the large firms thus evolving into their competitive advantage. A large company 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.

The constructs of different schools of strategic management will be measured with a set of premises based on the theory grounded ideas taken from the eminent strategic management researchers. Each of the premises will be tested with reliability and validity prior to the further statistical testing.

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

Conclusion

This paper draws attention to four different relations in strategic management research. Firstly, it is the philosophical approach between realism and constructivism as the two opposing and the most used approach in strategic management. Secondly, it is the extensive historical overview of the research on process of strategic management developing pattern of developed schools of strategic management. Thirdly, it points up the level of research from the macro level down to the individual level- the top manager. Fourthly, it suggests the bridge between

the theoretical concepts of schools of strategic management and empirical testing in order to prove its relevance and practical use for Croatian top managers in everyday lives.

The contribution of this paper could be labeled in two major groups. The first one is the conceptual contribution. Strategic management is a field that started from the pragmatist point of view and slowly started having ambition of becoming a discipline and science itself. Like an ambitious person slowly started to research topics just for the sake of researching and lost the contact with the top managers- the reasons why it exists at the first place. It slowly adopts the philosophical approaches and inheres in the existing paradigms in the field. At the moment it is in a journey toward the maturity in which it will select either the scientific approach- leading toward the universalism scientific truth or pragmatists approach- that will lead to practical advices for top managers that will very soon become out of the context. We think that there is a plea for the new ways of thinking about the challenges facing the field today while the next decade is approaching.

Since 1970s there was a call for the first paradigms of strategic management. The field developed in several different directions. Apart from the topic development there was a very moderate research on the development of the field itself and the foundations for its development. There were just several discussions of the philosophical foundations of strategy.

According to Kuhn's perspective, the old theories are brought together and presented in a different light, trying to confront them with new, contemporary perspectives. The old theories always mattered but they did not go out of time, just out of the context. After a while these theories tried to be integrated, creating dialectical or comprehensive models that would incorporate all the existing approaches no matter how different and distinctive they might be.

One interesting point, in the proposed research, is the level of research. Dependent variable in strategic management is usually located at the firms' level. As Hackman (Hackman, 2003, p.905) notes, regardless of the level of analysis at which we begin, we like to move to the next level for our explanations. In strategic management it will be lower down, not up. Collective level phenomena could be explained by level of structure, behavior and laws of its component parts plus their relations (Silberstein, 2002, p. 81 cited by Foss, 2007). Therefore, the focus is directed toward the micro foundations of strategy for company-level phenomena at the very individual level (Abell, Felin, Foss, 2008, Felin, Hesterly, 2007).

The second contribution is the propositions for testing the relevance of the theoretical schools of strategic management. This is the way how to bring closer the paths of theory and practice of strategic management and test them with performance- the ultimate test in the strategic management. The benefits for top managers could be seen in realizing the pattern of strategic behavior which could be

related to performance resulting in the suggestions how to manage in large firms in Croatia in order to produce good results.

The further research should be directed toward elaborating propositions into hypothesis and following the suggestions and remarks when performing empirical testing.

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RAZVIJANJE TVRDNJI ZA EMPIRIJSKO ISTRAŽIVANJE ŠKOLA STRATEŠKOG MENADŽMENTA; PREDLOŽAK I NAPOMENE

Sažetak

Ovaj je rad usmjeren na četiri različita aspekta istraživanja strateškog menadžmenta. Prvi aspekt odnosi se na filozofski pristup između realizma i konstruktivizma, kao dva najčešće korištena pogleda u razvoju strateškog menadžmenta. Osim što se disciplina razvijala u pogledu dijapazona tema, postoje vrlo skromna istraživanja o razvitku discipline kao takve i njegovim izvorima za daljnji razvoj. Postoje samo nekoliko diskusija o filozofskim izvoritima strategije. Drugi aspekt je ekstenzivan povijesni razvitak istraživanja o procesu strateškog menadžmenta. Autori članka razvili su pregled postojećih škola strateškog menadžmenta u tri grupacije. Treći aspekt je onaj u kojem se nastoji spustiti razina istraživanja s makro razine na nižu razinu individualca - najvišeg posloводства. Četvrti aspekt sugerira most koji povezuje teoretske koncepte škola strateškog menadžmenta i empirijsko istraživanje kako bi se dokazala relevantnost škola i njihova praktična uporaba za svakodnevni rad najvišeg posloводства. Rad predlaže novu podjelu škola strateškog menadžmenta. Daljnja istraživanja trebala bi biti usmjerena na razvijanje predloženih tvrdnji u hipoteze i provođenje empirijskog istraživanja prema napomenama na četiri predložene škole strateškog menadžmenta.

Ključne riječi: realizam, konstruktivizam, škole strateškog menadžmenta, proces strateškog menadžmenta, tvrdnje, pregled škola strateškog menadžmenta