

**Publisher**<http://jssidoi.org/esc/home>

IMPACT OF STRATEGIC CORPORATE INVESTMENTS ON COMPANIES' PERFORMANCE: A CASE OF SLOVENIA

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Abstract. In this article, the author investigates the role of strategic corporate investments, positioning them as the primary mechanism through which firms create shareholder value and enhance owner wealth. The study focuses on their influence on corporate growth, company valuation, productivity, and overall business performance. Its central objective is to present and empirically validate three research hypotheses related to these relationships. The theoretical contribution of the article lies in the formulation of a conceptual framework, termed the *strategic corporate investment cycle*. The model is inherently circular: it originates with strategic corporate investments and ultimately returns to them. Strategic investments stimulate corporate expansion; when investment decisions are rational and effectively implemented, companies optimize asset utilization, increase revenues, contain operating costs, and mitigate risks. Under such conditions, strategic corporate investments generate profit. Retained earnings, if not distributed, strengthen equity capital, thereby raising company value and augmenting shareholder wealth. At the same time, accumulated profits provide an endogenous source of financing for subsequent strategic investments – thus completing the cycle. Building on an extensive review of the relevant literature, the author explicates the constructs embedded within this conceptual model and positions them within the broader discourse on corporate finance and strategic management. The empirical analysis constitutes the core of the study. Using a combination of primary data from a representative survey of large and medium-sized Slovenian companies and secondary data spanning the period 2000–2017, the author applies rigorous statistical methods to test the proposed hypotheses. The results provide robust empirical support, leading to the full confirmation of all three hypotheses. The article concludes that strategic corporate investment decisions represent fundamental financial choices with enduring consequences. When accompanied by effective risk management, they not only secure sustainable long-term growth but also foster a continuous cycle of reinvestment, particularly in innovation. Within this dynamic, technological and managerial knowledge function as the *spiritus agens* that propels the perpetuation of the strategic corporate investment cycle.

Keywords: strategic corporate investments; company growth; innovations; company value; retained earnings; financial performance indicators

Reference to this paper should be made as follows: Bukvič, V. 2025. Impact of strategic corporate investments on companies' performance: a case of Slovenia. *Entrepreneurship and Sustainability Issues*, 13(2), 47-76. <https://doi.org/10.9770/k7580642657>

JEL Classifications: G31

1. Introduction

In this paper, we examine the impact of strategic investments on company growth, their value, productivity, and business performance, which is also the main objective of our research. The purpose of this article is to present the results of testing three research hypotheses related to the relationships mentioned above. We are particularly interested in strategic investments, as only these create value for the owners. The value of the owners' equity increases if the business generates profit and if this profit is not distributed in the form of dividends, but instead remains in the company as retained earnings and thus as a component of equity, while also serving as an internal

source of financing for new investments. Of course, retained earnings and depreciation, as the highest-quality long-term sources for financing strategic investments, are not sufficient on their own. To finance strategic investments, a company must also seek external (debt) sources of funding (Bukvič, 2020). Profit in companies can be generated through sound management, on the one hand by increasing net sales revenue (we are concerned only with revenue generated from the company's core business activities, i.e., excluding financial and other income) and, on the other hand, by managing assets efficiently and reducing costs. A company can increase its net sales revenue either by raising prices – provided that its market position allows and permits it to do so (which in most cases it does not, as few companies hold a monopoly or oligopoly position in the market) – or by increasing productivity. Productivity growth can be influenced by employees through greater commitment, diligence, and a responsible attitude toward their work, particularly regarding the quality of products and services (so that there are fewer and fewer complaints from customers). To a large extent, however, productivity can also be improved through the so-called technical equipment of work – namely, the resources and technology employees use to produce goods and deliver services. If companies fail to keep up with the latest technological trends, such as today's digitalization of production and business processes, competitors will quickly overtake them, and the companies will be forced out of the market. The automation and digitalization of processes, along with the increasing integration of information and communication technology into company operations, is a necessary condition – a *conditio sine qua non*.

Such modernization and innovation, however, require certain expenditures – investments. If a company is to grow and develop, whether to maintain its market position or to increase its market share, it must invest continuously. Without investment, there is no growth. Investment in new machinery and equipment, in new production lines, in the development of new products and services, and in the innovation of processes, products, and services is indispensable if the company is to increase its sales volume, its revenues, and its economies of scale. In addition to organic growth, which is ensured by the above-mentioned investments, a company may also grow through acquisitions and mergers with other companies. This article does not address that area. It is, however, indisputable that innovation also contributes to company growth – investments in the innovation of products and services, in the innovation of production processes, in short, investments in all types of innovations – which we will present in more detail later.

The investments outlined above, including those in innovation, are referred to as *strategic corporate investments*. Strategic corporate investments influence the growth of net sales revenue, added value, and thus also the growth of profit, which, according to the principle of *quid pro quo*, increases the value of equity for the owners. In this way, we have closed the loop, which can be presented schematically as a simplified conceptual model in Figure 1.

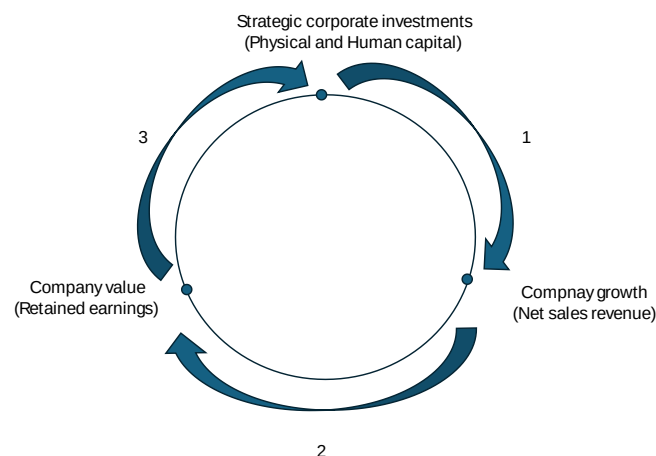


Figure 1. Strategic corporate investments cycle: strategic investments → company growth → company value (retained earnings) → strategic investments
Source: own work

The aim of the study is to traverse this cycle. We begin with strategic investments (the starting point), first presenting them in more detail, assessing and measuring their impact on company growth; then examining how, through the growth of operating revenues, they influence company value and thereby the owners' wealth; how they can increase productivity and improve business performance; and, finally, how the profit generated by strategic investments can be used by companies to finance new strategic investments (the end point). In conclusion, we find that the cycle turns continuously—*eppur si muove!* This cycle operates over time with greater or lesser uneven speed and intensity. For this reason, we refer to it as the *strategic corporate investments cycle*.

Following a brief introductory presentation of the purpose and objectives of this paper, along with the conceptual model, in Section 2 (*Literature Review*) we provide an overview of current literature sources in the field of strategic investments, growth, value, and profit – essentially following, in a clockwise direction, the cycle outlined above. We therefore examine in more detail both older and more recent scientific and professional articles in which the authors define strategic investments: what characterizes them, what is included among them, why they are important, and what their purpose is. This constitutes the first specific objective of our research.

In the cycle, company growth is the next area and the second specific research objective. Many researchers, academics, and corporate analysts have been engaged in this topic for years. They compare company growth to the growth of living organisms and attempt to identify the many factors that define or determine it. With the first arc of the cycle, we connect strategic investments and company growth, and on this basis we formulate our first research hypothesis.

The next area, and the third specific research objective we follow in the cycle, is company value. The first questions that arise are: What is company value? What defines and determines it? Which factors influence its increase? These questions have been addressed by many economists – from the classics and neoclassics to financiers and others. Here, we immediately touch on equity on the liabilities side of the balance sheet and its owners, who pursue a single objective: increasing their wealth. The first to ask what capital actually it was Robinson (1956), who systematically presented her theory of growth and capital accumulation within the post-Keynesian framework. She was followed by Ricardo (1817), Marx (1867), and other classical economists, who sought to provide a scientific basis for the concept of capital. This is, in fact, one of the most difficult questions in political economy. In this paper, we do not deal with this complex question; rather, we simply take capital as an accounting category. A very important part of it is profit – retained earnings, that is, the profit generated by the company's operations and kept within the company to finance its further growth. Such has been, and remains, a sovereign decision of the owners, who are aware that by reinvesting profit, they increase their future wealth.

With the second arc in Figure 1, we link company growth to company assets and retained earnings, and on this basis, we formulate our second research hypothesis. Before closing the cycle and returning to the initial area – strategic investments – in the final third of the cycle we pause at profit, as the fourth specific objective of our study. We have, in fact, already discussed it in the context of company value, where we noted that profit is the result of sound asset management and derives from increased net sales revenue (and, of course, from effective cost control), which expresses company growth – growth that is a consequence of strategic investments. In addition to increasing equity and the owners' wealth, profit plays another very important role in the cycle presented. It is precisely because of this role that we have highlighted it, within the context of company value, as a separate area of consideration in our cycle. Retained earnings in the company represent one of the highest-quality sources for financing long-term investments – that is, strategic investments.

With the third arc in Figure 1, we link the company's retained earnings to (new) strategic investments. In this way, we complete the cycle: strategic investments stimulate company growth – namely, net sales revenue – which, through increased profit, raises equity, i.e., the owners' wealth; a portion of this equity, referred to as retained earnings, then finances new strategic investments.

In this paper, we also aim to assess the productivity and financial performance of companies in relation to strategic investments, which constitutes the fifth specific objective of our research. We are interested in how strategic investments affect companies' productivity and certain financial performance indicators. On this basis, we formulate our third research hypothesis.

After thorough review of the relevant literature in Section 2 (*Literature Review*), we highlight a specific gap, which manifests itself in the lack of a systematic conceptualization of strategic corporate investments, the absence of a unified and more concise definition, as well as the insufficient integration of these investments with the constructs presented above, particularly in terms of their causal interrelations. In this study, we have addressed and meaningfully bridged these gaps, which may be regarded as our contribution to the scholarly discourse in the field of investment research. In Section 3 (*Research Methodology*), we first present the three research hypotheses, which we then test in the empirical part. We briefly introduce the research methods and techniques, separately for the theoretical and for the empirical part. We explain in more detail the approach and method of collecting both primary data (a questionnaire survey) and secondary data (the GVIN database). We highlight the limitations of our research, which also indicate directions for further studies in the field of strategic investments. In the empirical part, in Section 4 (*Research Results*), where we based our study on the examination of the above-described topics using the case of large and medium-sized Slovenian companies in the period 2000–2017, we sequentially test the three research hypotheses and explain the results obtained. These results were derived through statistical data processing using the SPSS 24 software tool. We present the results in both tabular and graphical form. Finally, in Section 5 (*Conclusion*), we first summarize two key novelties arising from our research, namely our conceptualization and definition of strategic corporate investments, and briefly introduce the conceptual model, i.e., the strategic corporate investment cycle. We then proceed to address the question of whether our research hypotheses can be confirmed. Finally, we emphasize the importance of technological and managerial knowledge as the driving force that continually propels and turns our strategic corporate investments cycle.

2 Literature Review

2.1 Definition of Strategic Corporate Investments

Investments are expenditures aimed at increasing or maintaining the stock of capital. Only net investments, which represent a real increase in capital, are considered here, since replacement investments or investment transfers do not increase the productive stock. Investments also play a developmental role, as they increase production capacities and influence economic growth. Investments mean the creation of additional productive capital and thereby offer the potential for increased production and economic growth.

Whenever investments are analyzed at the corporate level, the first question that arises is how much capital companies would like to use, taking into account the given costs and returns on capital use, as well as the intended level of output. What determines the desired capital stock – that is, the capital stock companies wish to have in the long term? Companies, of course, cannot immediately adjust their capital stock to the desired level needed for production; this requires a certain amount of time. We refer to this as the adjustment rate – the rate at which companies adjust from the existing capital stock to the desired level. The adjustment rate determines the rate of investment. Investments thus reflect the rate at which the economy adjusts to the desired state.

Such adjustment at the micro level includes, for example, the technological upgrading of production processes, such as the introduction of robotics in companies. Today, we are facing the fourth industrial revolution, with cyber-physical systems, the Internet of Things (IoT), artificial intelligence, and, above all, rapidly increasing production efficiency.

From the perspective of value-based management, company owners are interested in which strategies create value and which do not. Business logic should guide them in this. Weissenrieder (1998) classifies investments into two groups: strategic and non-strategic investments. Strategic investments are those aimed at creating new value for the owners and ensuring company growth. Non-strategic investments are those that maintain or preserve the value created by strategic investments. Strategic investments, such as investments in the development of a new product or in entering new markets, are followed by several non-strategic ones. A

strategic investment may be an investment in tangible fixed assets, which is the subject of our research, or in intangible assets. In this respect, it is irrelevant whether it is an investment expenditure or not. Anything in the company that counts as a cash expense and is connected with the creation of new value can, according to Weissenrieder (1998), be defined as a strategic investment.

According to Achim & Klein (2022), strategic investments are decisions on the timing and scale of risky, long-term investments whose implementation influences the learning (information) of other actors and the dynamics of competition. Barbieri et al. (2024/2025) distinguish strategic capital investments from routine ones based on several criteria: a high impact on future performance, large resource requirements, difficult and costly reversibility, and a long-time lag before effects become apparent. Therefore, the authors propose value-based models for the evaluation of strategic investments.

Strategic investments are large planned projects or investments that have a significant impact on the long-term development and growth of a company, organization, or country. They are aimed at improving competitiveness, expanding operations, introducing new technologies, or strengthening strategic advantages in the market. Examples of strategic investments include: purchasing key equipment or technology, developing new products/services, establishing new production facilities, expanding into new markets, investing in research and development, acquisitions, mergers, and takeovers of other companies or stakes in them. These investments are typically long-term, require careful planning, and involve relatively high capital expenditures. They are a strategic part of the company's long-term business or development strategy.

Capital-intensive investment projects can be relatively 'operational' in nature or have a more 'strategic' focus (Alkaaran & Northcott, 2006). 'Strategic' investment projects are significant investments that involve high levels of risk, yield difficult-to-measure (or undefined) outcomes, and have a major long-term impact on business performance. Typical examples include acquisitions and mergers, introduction of new major product lines, installation of new production processes, adoption of advanced manufacturing and business technologies, and significant changes in production capabilities (Van Cauwenbergh et al., 1996). The complexity and uncertainty of strategic investment projects present special challenges for managerial accountants responsible for their evaluation (Dempsey, 2003). It has been observed that excessive reliance on financial evaluation tools can lead to bias among decision-makers regarding strategic investment projects (Phelan, 1997). This can result in the rejection of investment decisions and may even hinder the development of innovation and the company's dynamic capabilities.

According to Snyder et al. (2025), strategic corporate investments include, but are not limited to, the following: (1) mergers and acquisitions – acquiring a company that can complement the existing acquiring company by increasing capacity, adding technology and intellectual property, expanding the customer base and geographic locations, etc., (2) research and development – investing in innovation and technology development to improve and expand the company's capabilities and offerings for existing customers and to attract new customers, and (3) ownership – purchasing ownership stakes in other companies or collaborating with other companies in joint ventures/projects to develop and expand products and technology by leveraging mutual strengths and resources. There are significant benefits of strategic investments that can contribute to the long-term growth and success of a company. According to Snyder et al. (2025), these benefits can be grouped into three categories.

Diversification

Strategic investments can lead to greater *sui generis* diversification, which reduces risk for the company. For example, customer concentration is a risk faced by many companies; it can cause problems as a significant share of revenue may be concentrated in one or two customers. Significant customer concentrations can also give customers greater control over prices and terms. If customers were ever to reduce a substantial share of their purchases from the company or leave permanently, this could seriously jeopardize the company's operations.

Market expansion

Any of the strategic investment initiatives mentioned above can, by themselves, lead to expanding the customer base and product range, as well as geographic presence. This allows companies to enter previously untapped markets, potentially increasing their revenue growth potential.

Technology

Strategic investments can also be a means to develop and improve technology and intellectual property, which can increase the value of existing operations or act as a catalyst for developing new revenue streams or increasing revenue from existing customers.

According to Snyder et al. (2025), there can also be challenges in delivering strategic corporate investments, which include:

Financial risks

Strategic investments require capital, which can come from the company's own resources, external investors, debt, or a combination of all these sources. All of the strategic investments mentioned above demand a significant amount of capital and the engagement of all employees in the company if they are to succeed. If a strategic investment grows more slowly than expected or fails altogether, it can heavily strain the company and its resources.

Integration

This challenge is particularly significant in mergers and acquisitions. Every company has its own culture, and sometimes merging two companies leads to cultural conflicts or overlooked expectations. Other integration challenges can arise in human resources and information systems. Both require careful planning and well-organized execution (Bukvič, 2020).

Strategic corporate investments may also encompass so-called green investments. In recent years, a considerable number of scholars have addressed this topic (Ye & Dela, 2023; Ali et al., 2023; Ristanović et al., 2024). Green investments refer to capital allocations directed toward business projects that foster environmental protection, mitigate adverse ecological impacts, and promote sustainable development. Their purpose extends beyond the pursuit of financial returns – typically the primary concern of shareholders – to the generation of positive environmental and social outcomes. Corporate owners increasingly recognize that the long-term preservation and growth of their wealth requires that investment decisions be made with strict consideration of environmental and social dimensions. Representative examples of green investments include: (1) investments in renewable energy sources, (2) energy-efficiency projects, (3) sustainable mobility initiatives, and (4) waste management and recycling, among others. Green investments are generally subsumed under the broader category of sustainable investments, commonly referred to as ESG investments (Environmental, Social, and Governance) (Kansoy & Statiulaitis, 2025).

Tao et al. (2024) examine how strategic investments in green technologies affect the performance and profitability of companies in a supply chain when contractual agreements between partners are unobservable. The authors develop a theoretical model to demonstrate (1) when and why companies invest in green technologies, (2) how incomplete transparency of contracts influences investment decisions, and (3) which cooperation mechanisms can enhance sustainability and overall value in the chain.

Du et al. (2024) examine how companies in competitive markets make strategic technology decisions related to green technology opening, imitation, and investment. The authors analyze when it is more beneficial for companies to open their green technology, when to imitate competitors' solutions, and how these choices affect competitive advantage, sustainability, and profitability. They analyze the balance between openness, imitation, and proprietary investment in green technologies as key corporate strategies in competitive markets.

Carayannis et al. (2024) examine how integrating strategic innovation into environmental policy-making affects sustainable energy investments. The authors explore the economic impacts of this approach, highlighting that incorporating innovation into policy design can enhance the efficiency, profitability, and sustainability of investments in renewable and clean energy technologies. Finally, let us mention a few other aspects that significantly influence companies' strategic investment decisions. This involves a team-based approach in the preparation and simulation of strategic projects, the tax aspect of handling corporate investments, and global changes that are reflected in companies' investment policies and the shaping of their development strategies. Thus, Zhang et al. (2024) examine how strategic-oriented cohesion in multiteam systems influences enterprise

investment decisions. Based on an online simulation experiment using the CESIM platform – the CESIM platform is an interactive online simulation platform used in education and research for business and strategic decision-making – the authors show that stronger team cohesion improves decision alignment and leads to more effective corporate investment strategies. Yu et al. (2024) analyze how fiscal policy uncertainty affects companies' strategic investment decisions in China. Based on empirical data, the authors show that higher uncertainty regarding fiscal policy reduces companies' willingness to make long-term strategic investments and increases caution in their decision-making. Pohrebniak et al. (2023) examine strategic management of investment support for enterprises under global challenges. The authors analyze how companies can adapt their investment strategies and support mechanisms to maintain stability, competitiveness, and growth despite uncertainties in the global market.

In summary, *corporate strategic investments represent deliberate and well-considered allocations of resources, activities, or projects that enable companies to build new capabilities, expand in existing or enter new markets, and strengthen long-term efficiency and organizational stability*. They are oriented toward sustainable, long-term growth, and are intrinsically linked to the company's core business objectives and strategic vision, and as such in the long-run, they *enhance the value of the company and the wealth of its owners*. Strategic corporate investments frequently entail substantial capital commitments, including those in technology, research and development, innovation, digitalization and digital transformation, green investments (renewable energy, the circular economy and sustainable solutions), new production capacities, as well as mergers and acquisitions. Although they involve a relatively high degree of risk, they offer significant potential for generating durable competitive advantages. Consequently, they demand rigorous analysis and strategic decision-making at the highest levels of corporate governance. The broader definition or conceptualization of corporate strategic investments presented above may be indicated and regarded as *an element of scientific novelty* and represents a significant contribution to the field of investment research.

2.2 Understanding Business Growth as their Imperative

Fasnacht (2009), in his article published in the book *Open Innovation in the Financial Services*, offered a vivid comparison of business growth to the growth of a living organism. In biology, growth is the increase in size and mass of an organism over a certain period of its development. Growth is often measured as an increase in biomass (the mass of organic matter), which can be linked to the differentiation of cells that manage specific functions within the organism. All organisms grow, although the rate of growth varies throughout their lives. Typically, an organism's growth follows an S-shaped curve, where growth is initially slow, then rapid, and toward the end of life, it essentially ceases. Growth can even be negative in the period preceding death.

In general, we cannot directly adapt definitions of concepts from nature to those in the business world. However, if we focus more closely on economic growth, we can observe similarities. Economic growth is understood as the increase in the value of goods and services produced by a given national economy. Since it is conventionally measured as the percentage rate of increase in real Gross Domestic Product (GDP), we could say that high growth reflects an increase in the average standard of living of individuals in a country. In recent years, we have observed a continuous increase in the number of wealthy individuals worldwide. These so-called high-net-worth individuals (HNWI) control an increasing share of global wealth. This is directly reflected in the GDP and market capitalization of a country. Market capitalization, in particular, has grown rapidly in Asia and Latin America, largely driven by foreign investments.

Growth is an imperative, not an option. There are several answers to the ultimate question: why grow? Whether we look at the perspective of the entire economy or an individual company, growth is important for maintaining competitiveness. It is necessary to maintain and increase market share. Growth also compensates for rising costs through economies of scale. If we view growth as an increase in wealth, we see that an increase in real assets managed by company leadership can partly be attributed to net cash inflows, which represent new funds, and partly to inflows generated by existing assets. Cash inflows can be considered organic growth of the company. Every growth of a company satisfies the increasing demands of all stakeholders related to that company (Fasnacht, 2009). Company owners are especially interested in high growth rates because it gives them confidence in their investments in the company. The cash accumulation generated by dynamic business growth is necessary for future investments, for example, in innovation, productivity increases, or business expansion.

A company that has been growing for years is more attractive to suppliers and customers. Ultimately, growth creates jobs and contributes to economic prosperity (Fasnacht, 2009).

Fasnacht (2009) argues that growth remains crucial, but the way growth occurs has changed. Today, we must recognize sustainable growth, which takes place through the differentiation of competitors, high-quality products and services, and the satisfaction of customers and employees. The key sources of a company's competitive advantage are quality in products and services, brand, and marketing. Furthermore, it is important to distinguish between growth strategies that focus on marketing new or existing products/services in new or existing markets. Therefore, companies must become more innovative in choosing different ways to grow. This means employing new technologies, continuously improving products, services, and processes, and managing human resources more efficiently. According to Fasnacht (2009), the message to companies operating in a highly competitive global environment is quite simple – perform better than others. A company's successful operation is reflected in investors' willingness to invest in that company. Of course, growth in net sales revenue alone is not sufficient. It is therefore necessary to continuously monitor the profitability of products/services and also the performance of all stakeholders within such a company.

2.3 Strategic Corporate Investments and Growth

When companies seek growth opportunities, owners and stakeholders must develop strategies to achieve their goals and enable returns to these individuals (Snyder et al., 2025). With strategic investments, owners and stakeholders should focus on opportunities to increase revenue, strengthen their market and geographic presence, acquire talent, and develop and improve technology and intellectual property.

Some authors (Desai et al., 2011) have examined several contemporary theories in more detail to verify whether increasing or decreasing strategic corporate investments can contribute to returns for owners. They arrived at several interesting findings related to how potential investment decisions affect business growth. They demonstrated that there is a connection between investment decisions and their effects. Growth opportunities influence a company's assets and profitability.

In the resource-based theory, differences in company growth are primarily attributed to internal resources and dynamic capabilities (Barney, 1991; Grant, 1991). Although company growth depends on external conditions, according to these authors, internal factors are the main determinants of growth. Similarly, Wright et al. (1996, p. 444) argue that "some firms may have growth opportunities because of valuable internal resources or because of their position in attractive industries." Desai et al. (2011), through their study, demonstrated that growth opportunities for an individual company create the potential benefit of further internal investments in that company. Consequently, it can be argued that some companies have growth opportunities while others may not, depending on whether their internal resources and capabilities are valuable, rare, imperfectly imitable, or imperfectly substitutable (Bukvič, 2020).

Other authors take a more realistic view of the company and its growth potential. For example, according to the theory of industrial organization, differences in growth opportunities among companies are to be expected (Barney, 1991). According to this theory, differences in growth rates are largely attributed to industry entry conditions and mobility barriers (Caves & Porter, 1977). These barriers typically limit the number of competitors, allowing greater company growth. Axiomatically attractive industries usually have relatively high barriers, while unattractive industries have low barriers. Moreover, studies on strategic corporate investments have concluded that aggregate characteristics of an industry can influence the profitability of such investments. This is particularly true for high-technology industries (Chan et al., 1990).

Doukas & Switzer (1992) argue that strategic investments have a greater positive impact on company growth in more concentrated industries. Studies of strategic investments that depend on industry characteristics assume that the nature of a particular industry fully reveals whether further internal investments are beneficial for a company or not. It can be summarized that industry characteristics strongly determine the potential benefits of further investments, while recognizing that companies within the same industry have different expectations from their investments. Studying strategic investments within an industry independently from studying the

effects offered by growth opportunities is quite limited and does not provide a good basis for research in this area.

Spence (1979), in his article, addresses strategic investment decisions of companies entering a new industry or new market. By new industry or new market, he means a potential market that has emerged due to technological innovation, changes in relative prices, or similar events. In such a market, supply is lower than demand, so there are significant growth opportunities for companies without the need to create excess capacity. This can be called the growth phase in the market life cycle, which differs from the mature phase. The growth phase is characterized by high levels of entries and exits.

2.4 Strategic Corporate Investments and Maximizing Company Value for Owners through Profit Generation

Optimizing a company's value is its primary goal (Jensen & Meckling, 1976). According to Park & Byun (2022), a company's value is expressed as the performance of management and business operations entrusted by the owners to the agents (the management). What owners expect from the agents is an increase in the company's value, as their wealth grows along with the company's value. Jensen (2001) argues that company owners pursue the maximization of the company's value in the long term. The value (net worth) of a company is also an important indicator of its investment ability (Bukvič, 2020).

Investment decisions are one of the factors that can increase a company's value (Fama 1978). Studies on the impact of investment decisions on company value have been the subject of much discussion over the past few decades, both in countries with emerging markets and in those with less developed markets. A sample of research conducted in the 1990s showed that investment decisions could indeed increase a company's value (Bajo et al., 1998; Santos et al., 1993). On the other hand, research from the 2000s showed that investment decisions generally hindered value growth (Brio et al., 2003; Lin & Kulatilaka, 2007). In the 2010s, numerous authors (Efni, 2017; Soumaya, 2015; Susanti et al., 2019) found that increases in company value could be attributed to investment decisions. Based on these observed patterns, it can be concluded that company value can be increased through rational investment decisions. The theory of signaling wealth, which underlies investment decisions (Alghifari et al., 2022), explains that investment spending is a positive signal, leading to future company growth. This, in turn, affects profits and, if these profits are not distributed among owners, leads to increased equity and thus greater company value.

According to Tan & Luo (2021), investment decision-making is one of the most important functions of a company, as investment activity affects the composition of assets and, consequently, the capital structure of the company. The decision to invest capital in a proposed project must be evaluated and adjusted to the level of risk and expected returns (Liu & Zhang, 2020). The rate of return, when adjusted to a manageable and controllable risk level, is expected to increase the company's value. Based on signaling theory (Fathi et al., 2024), the role of two parties is highlighted – the “signaler” and the signal receiver. Company management sends a signal to the financial market in the form of information related to investment decisions, showing that the company is successfully pursuing its long-term growth (Modigliani & Miller, 1958). This can increase the company's value, ultimately benefiting shareholders' wealth. This claim is supported by numerous studies, including Susanti et al. (2019), Al Daas et al. (2020), Pramatha et al. (2020), who found that investment decisions influence company growth and value.

Company's growth can be expressed through the dynamics of net sales revenue. Profitability shows the size of the profit associated with investments or sales (Tao et al., 2020). It also reflects the ability of management to generate profit for the company and its owners, and it serves as a measure of managerial efficiency (Amarundin et al., 2019). High profitability indicates that the company has good prospects for the future (Yondrichs et al., 2021; Handayati et al., 2022). This is a positive signal for investors to commit their financial surpluses to such companies. Profitability has a significant impact on the level of financial liquidity and financial security. Therefore, when analyzing a company's profitability, investors should also pay attention to its financial liquidity. In the case of long-term investments, investors are increasingly analyzing financial security alongside profitability levels. Investment decisions supported by high profitability, in terms of providing quality internal

financial resources, strengthen the company's reputation in the eyes of investors. Investor interest in a profitable and growing company contributes to increasing its value (Alghifari et al., 2022).

2.5 Profitability of Strategic Corporate Investments – A Factor in Increasing Company Value and Owners' Wealth

Based on the theory of value-based management, the primary goal of any company is to increase its value (assets) and generate above-average returns for its owners or investors, thereby increasing their wealth. In today's dynamic and competitive environment, where changes in capital markets are constant, companies must also change quickly and radically, in fact, continuously adapting to new market conditions. Financial markets constantly pressure company management to drive growth – and even more, to ensure that their companies remain in continuous global growth. To achieve the expected returns for owners in the future – that is, returns exceeding the risk-adjusted market average – companies must grow faster than their owners expect. As repeatedly emphasized, such growth can largely be ensured through strategic investments. Simply put, a decline in share price can only be prevented if the growth rate exceeds expected growth and if that growth is profitable. The ratio between the market price of a share and its earnings per share, known as the P/E ratio or multiplier, is a good measure of performance and a reliable indicator of how well a company is doing and how successful its strategic investments have been. The P/E ratio can serve as an indicator of operational problems or as a sign of business opportunities. It can be used to analyze the market value of a company's shares compared to the wealth it actually generates.

For example, if one share has a P/E ratio twice as high as another share, it means that it is a less attractive investment for investors. However, caution is required when comparing this ratio across industries, countries, and time periods. Comparisons should be made between similar shares. Historically, for example, the average P/E ratio in the private banking sector was around 15, compared to 10–12 for general universal banks (Fasnacht, 2009). Today, this ratio stands at 12.7, and 17.85 for the financial sector (World PE ratio, S&P 500 Financials). In banking, the ratio has always been considerably lower than in high-tech industries.

Market estimates of this ratio for many large banks have in recent years fallen well below ten. In a normal market environment, this would mean that such shares are cheap relative to their earnings and therefore a clear signal to buy. The problem lies in the uncertain future of these companies. There are several reasons why a share might have a high P/E ratio. For example, in the summer of 2005, Google's P/E ratio exceeded 100; today, in 2025, the ratio stands at 21.45 (Megatrends, 2025). This is typical for companies that have not yet generated high profits but are expected to do so in the coming years. In such cases, the market expects rapid profit growth in the future. Conversely, a high P/E ratio can also be explained by the fact that a company generated high profits in the past but also incurred high one-time costs. Shareholders usually understand that such issues are one-off and continue to buy the shares at the same price as before, selling them at least at that same price. Additionally, a share may have a high price due to high demand that is unrelated to the company itself – for instance, if an institutional investor is attempting to diversify risk. These are just some of the factors that influence the P/E ratio.

Buchbinder (2025) argues that the P/E ratio is more useful for long-term market forecasts and less so for short-term predictions. According to him, a high P/E ratio has greater predictive value over a ten-year horizon. Some financial experts (Fasnacht, 2009) interpret this ratio, or multiplier, in two ways – once considering company growth and once without it. In the first case, the P/E ratio mainly reflects the company's current operations, meaning it continues to operate as it always has and is expected to do so in the future. In the second case, when growth is taken into account, the P/E ratio reflects market expectations regarding the profitability of the company's future investment opportunities. This gives investors confidence that they can expect promising returns on their investments in the company. In fact, roughly four factors determine whether a company's growth, in terms of profitability, will be high, moderate, low, or even negative. Any action by company management aimed at increasing the share price and P/E ratio influences one of these factors.

First, return on invested capital together with the cost of capital measures the true profitability of future investment opportunities. This financial metric simply shows how well the company generates cash flow relative to the capital invested in it. Second, the investment amount – that is, the sum of money exceeding

depreciation and reinvested annually into operations and new strategic investment projects – is another important growth factor that can increase or decrease the P/E ratio. For a company to grow, investments must be large enough (net investments) to maintain the real value of assets, such as long-term tangible fixed assets. Ideally, investments should exceed the amount of depreciation. Finally, the time factor is also important – that is, the period during which the company can sustain the profitability of its new strategic investments at a level exceeding the cost of capital. A company can achieve any given P/E ratio through different combinations of the four factors. However, among competitors, the company with a P/E ratio above the market average will be the most attractive for attracting capital for its sustainable growth.

Although this may seem logical, numerous studies (Fasnacht 2009, and others) show that approximately 90 % of all public companies in developed economies are unable to sustain growth for more than a decade – at least not growth that delivers above-average returns for shareholders. Christensen & Raynor (2013), in their book *The Innovator's Solution*, revealed this growth paradox. Based on their own research and numerous studies, they concluded that growth and innovation are interdependent. According to them, failure to sustain growth is not the result of a lack of great ideas, unpredictable innovations, or capable managers, nor of changes in the nature of demand and unusual customer responses. Sustainable growth fails because companies prematurely eliminate the disruptive potential of innovations before they even see the light of day. In addition, companies must be profitable. The question remains, then – what actually creates value? The third factor that companies must consider if they wish to maintain sustainable growth, profitability, and value is risk. The concept of risk is independent of the concepts of growth, profitability, and company value. For example, in financial markets, we measure credit risk – the risk of loss due to the borrower's insolvency. In the field of financial investments, there is a relatively large range of financial instruments used to hedge against risks. Business risk is a reality and must be taken extremely seriously, especially during periods of high growth, even though certain risks are difficult to manage. To increase growth and profitability while successfully managing risks, companies must leverage the synergy between employees, processes, and strategies. Company leadership must mobilize the workforce to pursue ambitious goals with full commitment, in line with risk management measures. This stems from a corporate culture in which performance is regarded as a value and which relies on exceptional leadership (Fasnacht, 2009).

Although company management is forced to constantly analyze the impact of various risks on operations (and maintain a risk register), it must at the same time focus on innovation if it wants to ensure sustainable, profitable growth. Innovation is thus the fourth factor that drives company growth. Innovations, as strategic investments – often the only ones capable of meeting shareholder demands for growth – require taking on risks. To succeed in this, company leadership must understand the forces that generate innovation. Managing change, innovation, and growth while simultaneously monitoring costs and risks presents a major challenge for company management. This makes it necessary to better understand the key growth strategies and actions that lead to success based on innovation. This supports the theory that growth can be achieved through mergers and acquisitions, alliances, joint ventures, or organically.

2.6 Innovation as a Strategic Corporate Investment – A Driver of Growth and an Enhancer of Company Value and Shareholder Wealth

Recognizing innovation as a key driver of growth seems, in itself, quite logical. What is essential, however, is to understand the process that reveals which innovations lead to company growth. This is important because growth can only be achieved if it is aligned with the company's innovation strategy. The word *innovation* is understood in various ways, which is why the literature offers different interpretations. Without delving into the Latin verb *innovare*, meaning “to make something new,” we can state that innovation is a term broadly used for any type of novelty. In a business sense, it usually refers to introducing a new product or service to the market or improving existing ones. This inevitably entails the need to invest in and finance such strategic investments. In any case, innovation applies not only to products and services but also to concepts, strategies, and paradigms (Fasnacht 2009). Innovations appear in many different forms – from truly revolutionary to almost everyday. They include creating new forms and methods of work, their commercial exploitation, and their subsequent diffusion into the economy and society. Innovations – especially when implemented in companies as strategic investments – are among the main drivers of long-term economic growth and structural change and always promote economic progress. According to Fasnacht (2009), innovations can be understood as (1) the renewal

and expansion of the range of products and services and related markets, (2) the development and introduction of new methods of production, supply, and distribution, and (3) the introduction of changes in management, work organization, working conditions, and employee knowledge. Understanding innovation depends on the perspective from which it is viewed. In economic terms, an innovation must increase value for the company, the consumer, or the producer. For consumers, innovation means higher quality and greater product value, more efficient services, and a higher standard of living. Companies expect more efficient production processes, more economical management of long-term assets (Bukvič, 2020), improved business models, or new products and services – all of which lead to sustainable, enhanced growth and higher profits for owners and investors.

Today, researchers such as Judijanto et al. (2025) focus on the resilience of strategic investments during economic recessions, emphasizing diversity (in products, markets, regions) and innovation as a tool for improvement. Some empirical studies from the Asia–Pacific region demonstrate that strategic investment – sometimes even referred to as “responsible” investments – have a significant positive effect on innovation and corporate performance.

Employees can benefit from innovation through new and more interesting work, improved skills, and higher wages. From an organizational perspective, companies would not survive without innovation, as new products and services and new or improved ways of doing business are essential for business continuity and growth. Without innovation – or if innovations fail – there is no differentiation, no expected profit, and no potential investors. In short, innovations understood as strategic investments *sui generis* represent the creation of value and the increase of productivity in any industry and economy. Innovation can lead to higher revenues, improved added value, and greater sustainable competitive advantage. Since the creativity and inventiveness of companies are the greatest assets available to a national economy, innovation is the key to higher productivity and greater prosperity for all.

2.7 The Impact of Strategic Corporate Investments on Productivity and (Non-)Financial Business Performance

There is a considerable body of literature examining the relationship between adjustments to a company’s capital – understood as increasing its assets through investment – and its business performance, as measured by productivity and growth rate (Hugget & Ospina, 2001; Nilsen et al., 2009; Shima, 2010), employment growth, sales growth, or other production factors. These authors, through more sophisticated research on French and Italian companies, have demonstrated that investments indeed improve business performance. A strategic investment is expected to influence productivity in the long run, as new capital incorporates the latest technology (Jensen et al., 2001). Models that adhere to the principle of *learning by doing* predict that it takes time for workers to learn how to use new technology. As a result, labour productivity following a strategic investment will most likely take on a U-shaped curve – initially declining, then gradually increasing to a level higher than before the investment. Grazzi et al. (2013) also examined the effects of large strategic investments on company performance. There are multiple reasons why companies invest in tangible fixed assets – for example, to meet growing demand, to mitigate technological obsolescence by acquiring new equipment, or to introduce to the market a new product line that requires more advanced equipment. Therefore, such investment efforts would be expected to correlate positively with company size, company growth, and overall business performance.

Using a different econometric approach, Nilsen et al. (2009) found a positive and significant effect of investments made within the same year on labour productivity. Interestingly, these effects dissipated in the following years. Similarly, the same authors identified a positive relationship between strategic investments and both sales growth and profitability.

Critics of financially oriented business performance assessment models, at the end of the last century, highlighted the one-sidedness of financial indicators (Kaplan & Norton, 1992). Financial indicators became insufficient for assessing the performance of companies experiencing rapid technological change, increased innovation and flexibility, and shorter product life cycles. As a result, many authors – such as Kaplan (1983) and Eccles (1991) – advocated the inclusion of non-financial indicators derived from corporate strategy, which could offset the limitations of financial metrics.

In the current era of digitalisation, some authors (Buglea et al., 2025) examine the impact of digital transformation on non-financial performance indicators, emphasising environmental, social, and governance (ESG) aspects of business performance in Central and Eastern European countries. Alves & Lourenço (2022) explore how small and medium-sized enterprises (SMEs) incorporate non-financial metrics – such as customer satisfaction, product/service quality, innovation, and employee productivity – into managers' compensation systems. Based on empirical data, they find that non-financial metrics are often used alongside financial indicators, particularly in companies with long-term strategic goals, where monitoring quality and innovation is crucial, and where financial results alone do not fully capture performance.

Conversely, Zarzyka & Krasodomska (2021) investigate whether certain company characteristics – both internal and external factors – influence the quality and extent of non-financial performance disclosures. While companies disclose a wide range of non-financial indicators, such diversity complicates comparability. Nonetheless, non-financial indicators contribute to explaining the factors underlying achieved performance – this also applies to a company's investment activities, although these are not discussed in detail here. Although many companies strive to improve operational efficiency and aim to increase average return on equity (ROE), they often find it challenging to maintain efficiency in terms of the cost-income ratio (CIR). Enhancing operational efficiency is generally less demanding than pursuing growth, as growth exposes companies to higher risks and greater demands for innovation. Therefore, it can be argued that growth rather than profitability is the primary driver of increased market capitalisation. To assess profitable growth, one must connect value and profitability. Net sales revenue, net profit, as well as ROA and asset growth, are just some of the indicators that reflect a company's business performance. Many companies continuously expand their assets, but only a few manage to increase ROA alongside asset growth. On one hand, it could be argued that growth can only be achieved if mergers and acquisitions are part of a company's strategy. On the other hand, organic growth is also necessary. Regardless of the strategy, profitability must always be considered. Organic growth may be the only realistic option when there is no company available for acquisition or merger. Pursuing organic growth in mature markets while successfully acquiring businesses in high-growth markets may prove to be a prudent choice for companies.

A comprehensive review of the literature on the impact of strategic investments on corporate performance reveals that a considerable body of research and scholarly articles has examined how investments foster the growth of both enterprises and the economy as a whole, enhance productivity, and improve working conditions – thereby contributing to their humanization – while simultaneously expanding corporate assets and increasing shareholder wealth, and ultimately advancing societal well-being. Nevertheless, within the existing body of research, there are relatively few studies that explicitly distinguish between strategic and non-strategic investments and analyze them separately. The prevailing approach instead tends to classify investments into financial and productive categories, or into investments in financial versus real assets.

In recent years, increasing scholarly attention has been directed toward investments in knowledge and human capital. Consequently, the distinction between investments in physical capital and those in human capital has become increasingly salient. Recent studies (Paczos et al., 2023) suggest that the rates of return on human capital investment may surpass those associated with physical capital. Nevertheless, national accounts conventionally classify expenditures on human capital as consumption, recognizing only physical capital formation as investment. The aforementioned authors have developed a methodology for the classification of such expenditures and applied it to data on public and private spending across 28 EU member states. Their analysis indicates that, on average, human capital investment amounts to 11.1 % of GDP, with 8.8 % originating from the public sector. By comparison, physical capital investment accounts for 20.6 % of GDP, of which 17.6 % is attributable to the private sector. A narrowly defined conceptualization of investment may therefore result in an undue emphasis on the accumulation of physical capital at the expense of the potentially higher-yielding investment in human capital.

Despite the insights outlined above, a gap remains in the scholarly literature concerning how to conceptualize strategic corporate investments in an integrated manner – specifically, how to link them to company growth, value creation, and the accumulation of shareholder wealth, as well as how to reinvest the returns generated from investment into subsequent investment cycles, thereby positioning them as a driving force of growth.

3. Research Methodology

In this chapter, we present the quantitative methodology used, in which the stated hypotheses were tested with the help of the SPSS program. The data was obtained from a questionnaire and the publicly available GVIN database.

3.1 Research Hypotheses and Research Methods

In the study, we formulated, among others, the following research hypotheses:

H1: Strategic investments are the greatest driver of company growth.

H2: By generating profit, strategic investments increase the value of companies.

H3: Strategic investments increase productivity and improve business performance.

In the theoretical part of the study, we used the scientific method of description as well as scientific methods of classification, comparison, analysis, and synthesis. In the empirical part of the study, we applied statistical methods (descriptive statistics, contingency tables, Chi-square test, T-test, and linear regression) and processed the data using the SPSS 24 statistical package.

3.2 Financial Indicators

In our research, we used financial performance indicators derived from accounting data for selected companies in the sample. The financial indicators in our study are: net sales revenue per employee, value added per employee, EBITDA margin, EBITDA compared to assets, return on equity or ROE, return on assets or ROA, net profit margin, cost-effectiveness (Operating revenue / Operating expenses), and net financial debt compared to EBITDA. With the exception of the last indicator, all the above represent measures of financial performance.

3.3 Data Collection Method

The data was collected at a specific point in time (cross-sectional data). This method is suitable for types of research aimed at finding connections between certain phenomena or factors. Since our objective was to examine the relationship and effects between strategic investments and company growth and company value, and consequently on business performance, in this case it was more appropriate to analyze data referring to the same point in time rather than data collected sequentially over time (longitudinal data). Another important reason for choosing this research method was the fact that it has been used in most studies in the examined field, particularly regarding the impact of the dynamics and scope of strategic investments on productivity and business performance, which allows the results of our study to be, to some extent, comparable with those of others.

We used both primary and secondary data. Primary qualitative data was collected through a questionnaire. A total of 267 questionnaires were correctly completed (23.38 % of all respondents). Quantitative data was obtained from the published annual reports of companies in the Slovenian economy, specifically those operating in categories A to J according to the Slovenian Standard Classification of Activities (SKD 2008, V2). Secondary data was obtained from the GVIN database.

The sample included only large and medium-sized Slovenian companies. Large companies are those that meet at least two of the following criteria: the average number of employees in the last financial year exceeds 250, net sales revenue in the last financial year exceeds 40 million €, and the value of assets at the end of the financial year exceeds 20 million €. Medium-sized companies are those that meet at least two of the following criteria: the average number of employees in the last financial year exceeds 50 and does not exceed 250, net sales revenue in the last financial year exceeds 8 million € and does not exceed 40 million €, and the value of assets at the end of the financial year exceeds 4 million € and does not exceed 20 million € (Article 55 of the Companies Act, ZGD-1-NPB14).

The representativeness of our sample is demonstrated by the data in Table 1, Table 2, and Table 3, which show the characteristics of the companies in the sample compared to the overall population (the Republic of Slovenia). The basic research also includes a presentation of the sample companies by age, their legal and organizational status, ownership structure, and the form and manner of their management (Bukvič, 2020).

Table 1. Size of Sample Companies According to Article 55 of the Companies Act (ZGD-1-NPB14)

Company size	Sample (Questionnaire)		Republic of Slovenia		Δ
	#	in %	#	in %	
Big	78	29,21	336	29,42	-0,21
Medium	189	70,79	806	70,58	0,21
Total	267	100	1 142	100	0

Source: Investment ability of the companies, questionnaire 2018

Table 2. Overview of Companies by Region

Region	Sample (Questionnaire)		Republic of Slovenia		Δ
	#	in %	#	in %	
Osrednjeslovenska	77	28.84	406	35.54	-6.70
Podravska	27	10.11	133	11.65	-1.54
Savinjska	50	18.73	125	10.95	7.78
Gorenjska	25	9.36	108	9.46	-0.0
Jugovzhodna Slovenija	19	7.12	71	6.22	0.90
Goriška	11	4.12	64	5.60	-1.48
Obalno-kraška	16	5.99	58	5.08	0.91
Pomurska	12	4.49	56	4.90	-0.41
Koroška	9	3.37	38	3.33	0.04
Posavska	10	3.75	36	3.15	0.60
Primorsko-notranjska	5	1.87	29	2.54	-0.67
Zasavska	6	2.25	18	1.58	0.67
Total	267	100	1 142	100	0.00

Source: investment ability of the companies, questionnaire 2018

Table 3. Predominant activity according to the Standard Classification of Activities (SKD 2008, V2)

Core activity	Sample (Questionnaire)		Republic of Slovenia		Δ
	#	in %	#	in %	
Manufacturing activities	130	48.70	489	42.82	-5.88
Trade, maintenance and repair of motor vehicles	60	22.47	334	29.25	6.78
Transportation and storage	18	6.74	80	7.01	0.27
Construction	14	5.24	63	5.52	0.28
Hospitality	13	4.87	32	2.80	-2.07
Water supply, sewerage, waste management and remediation activities	11	4.12	40	3.50	-0.62
Electricity, gas and steam supply	11	4.12	29	2.54	-1.58
Information and communication activities	7	2.62	48	4.20	1.58
Mining	2	0.75	7	0.61	-0.14
Agriculture and hunting, forestry, fishing	1	0.37	20	1.75	1.38
Total	267	100	1 142	100	0.00

Source: investment ability of the companies, questionnaire 2018

The study focuses on the period from 2010 to 2017, with certain sections covering the extended period from 2000 to 2017 (to compare the growth of tangible fixed assets with selected financial categories). The data were collected on an annual basis for each year within this period. During the research process, we identified the

variables to be measured, established the measurement scale (using a 7-point Likert scale), developed a questionnaire, and tested it for both reliability and content validity.

3.4 Limitations

It is important to acknowledge the limitations encountered in this study, primarily relating to the empirical component. The first limitation concerns the sample size, as the research was conducted exclusively on Slovenian companies. An international study would have included a larger number of larger companies, where the impact of strategic investments is typically more pronounced. Relevant literature informed our assumption regarding the direction of causality in our conceptual model (the effect of strategic investments on company growth, value, and business performance). As the study relied on cross-sectional data, direct causality cannot be established. Determining the direction of causality would require a longitudinal study, which presents a potential avenue for future research. The second limitation pertains to the size of the companies studied, which are relatively small compared to international competitors. Consequently, the average size of their strategic investments is smaller than that of foreign companies. This limitation is particularly evident for medium-sized companies, which were also included in our sample. The third limitation, specific to this paper and largely due to space constraints, is the exclusion of non-financial indicators of business performance in relation to strategic investments. The fourth limitation relates to potential subjectivity, as typically only one individual completed the questionnaire (usually the CFO, and in some cases the company director or another senior management member).

4 Research Results

4.1 Testing Research Hypothesis H1 on the Impact of Increased Strategic Investments on Company Growth

In the following, we present and summarize the results of the study. We first test the research hypothesis that an increase in strategic investments affects company growth. In our research, strategic corporate investments are defined as investments in tangible fixed assets only, while company growth is measured by the growth in net sales revenue. For this analysis, we consider a longer time series for the companies in our sample, specifically the period from 2000 to 2017. Company growth can also be expressed using other financial indicators, such as value added and EBITDA, although these measures primarily reflect business performance, as they already take operating expenses into account. To this end, it is first necessary to prepare the relevant data. We rely on the AJPES database based on the chart of accounts. For tangible fixed assets (OOS), we use annual data from account 0010102, and for net sales revenue (ČPP), we use annual data from account 050. Account 0010102 shows the undepreciated book value of tangible fixed assets. This value naturally changes continuously, both within a year and across years. It is affected by depreciation, i.e., the write-off of the value of tangible fixed assets, and by the disposal of tangible fixed assets (divestment), both of which reduce the balance. Conversely, it is affected by purchases or acquisitions of new tangible fixed assets, including acquisitions under long-term financial leases. As mentioned, we disregarded any revaluation effects of tangible fixed assets for the companies in our sample.

If the difference between the acquisition cost of new tangible fixed assets and the depreciated value of existing tangible fixed assets or the value reduced due to divestment is positive, this is considered net investment in tangible fixed assets. By examining this balance, i.e., the undepreciated value of tangible fixed assets, over a longer period, we can determine from the differences (or chain indices) whether companies made net investments or divestments in each year. The difference between two annual balances (at the end of each calendar year, as of December 31) of the undepreciated value of tangible fixed assets, $OOS_t - OOS_{t-1}$ (account 0010102), represents net investments in tangible fixed assets in year t . Since the analysis covers a long period and to ensure data comparability over time, all values are appropriately adjusted using deflators or inflators for each year (SURS – Inflation Adjustment for the Period 2000–2017). For the entire sample (267 companies), we calculate the annual average values for both of the categories mentioned above. For each company included in the sample, we calculate chain indices and, based on them, the average growth rate of each economic category. In doing so, we use the geometric mean, which is calculated according to the following formula:

$$\left(\prod_{i=1}^n a_i\right)^{\frac{1}{n}} = \sqrt[n]{a_1 a_2 a_3 \dots a_n}$$

In the calculation of a simple linear regression, we consider tangible fixed assets (OOS) as the independent variable and net sales revenue (ČPP as the dependent variable, using the annual average values calculated for each year. The calculation is presented in Table 4.

Table 4. Linear Regression Calculation for the Dependent Variables OOS and ČPP

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,821 ^a	0,673	0,652	4054964,139

a. Predictors: (Constant), Tangible fixed assets

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,085E+14	1	5,085E+14	30,926	,000 ^b
	Residual	2,466E+14	15	1,644E+13		
	Total	7,552E+14	16			

a. Dependent Variable: Net sales revenue

b. Predictors: (Constant), Tangible fixed assets

Coefficients^a

Model		Unstandardized B	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-23654658,1		-2,370	0,032
	Tan. fix. assets	1,505	0,821	5,561	0,000

a. Dependent Variable: Net sales revenue

Bootstrap for Coefficients

Model	B	Bias	Std. Error	Bootstrap ^a		
				Sig. (2-tailed)	Bca 95% Confid. Interval Lower	Upper
1	(Constant)	-818984,712	11901364,94	0,116	-47733387,8	-666241,520
	Tan. fix. assets	0,027	0,338	0,012	0,894	2,193

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

R² has been calculated as 0.673, which means that investments in tangible fixed assets account for more than two-thirds of the variation in net sales revenue. In other words, if we try to explain why companies increase the sales of their products, services, or goods/materials, we can look at the variation in net sales revenue. There is a whole range of factors that can explain this variation, but our model, which includes only investments in tangible fixed assets, can account for 67 % of it. This means that slightly less than one-third of the variation in

net sales revenue cannot be explained by investments in tangible fixed assets. Of course, other factors and variables also influence the increase in product/service sales volume.

In the analysis of variance (ANOVA) presented above, the sums of squares and degrees of freedom are provided. From these two values, we can calculate the mean squares by dividing the sums of squares by the corresponding degrees of freedom. The most important part of this table is the F-statistic, which equals 30.93 and is significant at $p < 0.001$ (since the value in the column labeled “Sig.” is less than 0.001). This result indicates that the probability of obtaining an F-statistic of this magnitude is less than 0.1 % if the null hypothesis were true. Therefore, we can conclude that our regression model is a much better predictor of the increase in net sales revenue than simply using the average net sales revenue. Overall, the regression model predicts movements in net sales revenue very well. This result is logical and expected.

We can ask why companies invest, why they allocate funds to purchase equipment, machinery, or to build new production or storage facilities. The answer is that new business opportunities arise in the market, with increased demand for their products or services. By expanding production and other capacities, increasing retail space in trade, or expanding vehicle fleets in transport and logistics, companies increase their resources to grow their sales volume, which in turn also increases net profit. Other factors, beyond the increase in tangible fixed assets, that affect higher sales volume and thus company growth, but are not considered in this study, may include price increases, productivity improvements (higher output per unit of time), export incentives or customs relief, business process optimization, organizational changes, and so on.

ANOVA shows whether the model predicts the outcome variable well, but it does not reveal the individual contribution of variables – except in our model, which includes only one independent variable. The calculation shows the estimates of the model parameters (beta values) and the significance of these values. In the equation above, b_0 represents the intercept on the ordinate axis and corresponds to the constant B. Here, b_0 is 23.6 million €. This can be interpreted as follows: if companies do not spend a single euro on investments in tangible fixed assets ($X = 0$), the model predicts that all companies in our sample would decrease their net sales revenue by 23.6 million €. In the same table, we can read the value of b_1 , which represents the slope of the regression line and equals 1.505. Although this value represents the slope, it is more useful to interpret it as the change in net sales revenue resulting from a 1 € change in investment in tangible fixed assets. For example, if investments increase by 100 €, net sales revenue from products/services would increase by 150.50 €, which can be considered a relatively good result, given that increases in investments in tangible fixed assets contribute more than two-thirds to the growth of net sales revenue. Let’s look at the t-values in the calculation above, where the t-test indicates whether the value of b is different from zero (0). The software tool SPSS 24 calculates the exact probability that the observed t-value would occur if the population value of b were zero (0). If this observed significance is less than 0.05, the result reflects a meaningful effect. In our case, this fully applies. For one t-value, the probability is 0.032, and for the other t-value it is 0.000 (rounded to three decimal places), so we can state that the probability of observing these t-values (or larger) if the population values of b were zero is less than 0.001. Therefore, the b-values are significantly different from zero. For b representing investments in tangible fixed assets, this result means that these investments significantly contribute ($p < 0.001$) to predicting increases in net sales revenue.

In the calculation, the bootstrap confidence interval indicates that the population value of b for tangible fixed assets (OOS) lies between 0.894 and 2.193. Because this interval does not include zero (0), we can conclude that a meaningful positive relationship exists in the population between investments in OOS and net sales revenue (ČPP). The significance associated with this confidence interval is $p = 0.012$, which is significant. The bootstrap procedure also recalculates the standard error, which changes from 0.271 to 0.338 – a small change. For the constant, the standard error is 9,981,459.46, while the bootstrap estimate of the standard error is 11,901,364.94. The difference is 1,919,905.54. Bootstrap confidence intervals and significance values are useful because they do not rely on assumptions about normality of the distribution or homoscedasticity (Field 2013). Figure 2 shows the distribution of correlation coefficients between the variables OOS and ČPP for all companies included in the sample.

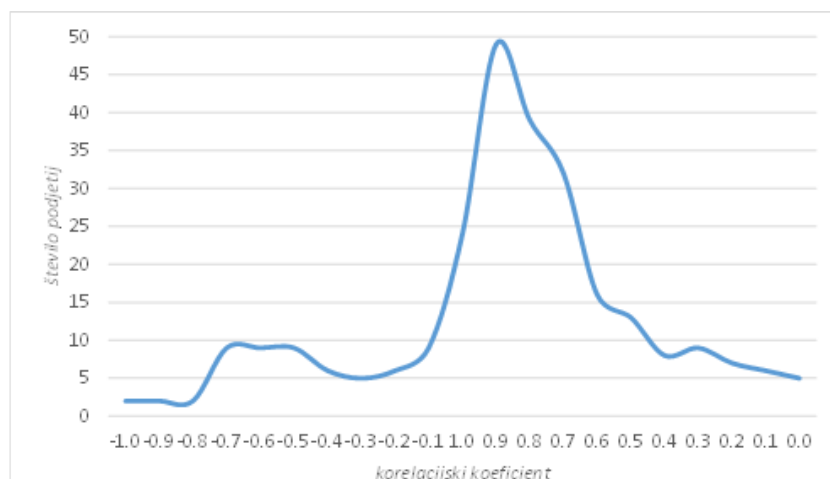


Figure 2. Distribution of correlation coefficients for the variables OOS and ČPP for all companies included in the sample for the period 2000–2017

Source: Own representation based on the calculation of correlation coefficients for the variables OOS and ČPP for 267 companies in the sample for the period 2000–2017.

Note: The ordinate (vertical) axis represents the number of companies, while the abscissa (horizontal) axis represents the correlation coefficients.

Based on the results presented above, we can confirm and accept our first research hypothesis H1: Strategic investments are the greatest driver of company growth.

4.2 Testing the Research Hypothesis H2 on the Impact of Increased Strategic Investments on Net Profit and Thus on Company Value

Let us examine how an increase in investments in tangible fixed assets affects the movement of net profit for the accounting period (NP) and, consequently, company value. In the case of this indicator, the predictive value of the regression coefficient b is completely lost. The returns on investments – measured by net profit for the accounting period – generated by the investments in tangible fixed assets by the companies in our sample during the period 2000–2017 were practically negligible. If we take into account financial expenses for interest and other obligations (account 06402), we can understand why net profit for the accounting period was relatively modest or even negative (loss). In the period before the financial crisis in 2008, companies borrowed heavily to finance their investments, for which they had to pay interest to financial institutions, thereby reducing net profit.

Instead of net profit generated by strategic investments – in particular, investments in tangible fixed assets – being a source of increasing company value and, consequently, an important source of financing new investments, this did not happen after the mentioned crisis. Companies instead used profits (their accumulated earnings) for deleveraging. Therefore, for this examined period, we cannot claim or prove that profit generates value. In a given year, yes, it does, but it does not remain in the company as retained earnings; instead, it is used to repay principal on loans. It is true, however, that by reducing net financial debt, the companies' capital adequacy improves, and their equity relatively increases.

The graph in Figure 3 shows the movement of absolute average values of some of the most important economic categories (financial indicators), including financial expenses, for our sample population of companies over the period 2000–2017.

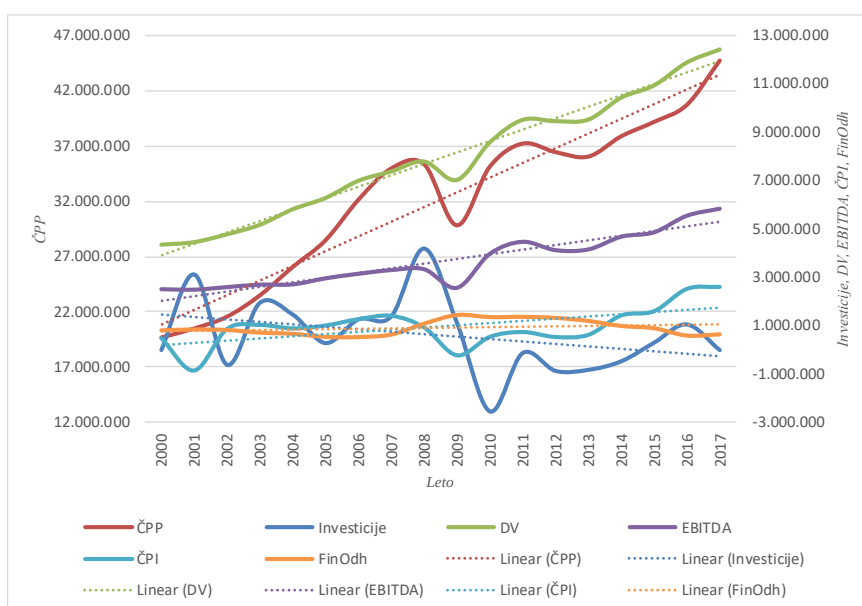


Figure 3. Financial indicators compared with the increase or decrease of tangible fixed assets for the sample companies (267) in the period 2000–2017.

Source: Own presentation based on data from the AJPES database for the period 2000–2017.

Legend: ČPP – net sales revenue; ČPI – net profit; Investicije – investments; FinOdh – financial expenses; DV – added value.

From Figure 3, it can be observed that during this 18-year period there was a specific phase marked by the global financial crisis and the worldwide economic recession, which lasted from 2008 to 2012. The dynamic growth of the mentioned categories – i.e., net sales revenue (ČPP), value added (DV), and net profit of the accounting period (ČPI) – halted in 2009; for the latter, the decline began already in 2008. The momentum of the rising trend in tangible fixed assets (OOS) continued despite the crisis until the end of 2009 (completion of pre-crisis investments). In 2010, there was a noticeable decline in the net book value of tangible fixed assets (reaching a low), as the net value of OOS decreased by approximately 6 %, and this level remained stable until 2015, when the average net value of OOS increased by about 3 % the following year, though it had not yet reached the pre-crisis average absolute level.

On the other hand, net sales revenue (ČPP) began to rise slightly after the significant drop in 2009, even during the recession period. The same applies to value added (DV). The greatest impact of the global financial crisis and economic recession was observed in the net profit of the accounting period (ČPI), which, as mentioned, began to decline sharply in 2008, increased slightly two years later, but remained at roughly half of its 2007 average value until 2013. From 2008 to 2013, the financial expenses for interest and other obligations, in absolute terms for the sample companies, even exceeded their total net profit.

In this part of the study, we are also interested in how financial expenses (interest) changed during the past period – data are available for the sample companies from 2005 to 2017 – in relation to financial leverage or company indebtedness. We examine the linear regression between the NFD/EBITDA ratio and financial expenses. In Figure 4, we first present the distribution curves of the NFD/EBITDA ratio for three time points: 2007 (pre-financial crisis), 2010 (during the financial crisis), and 2017 (post-financial crisis).

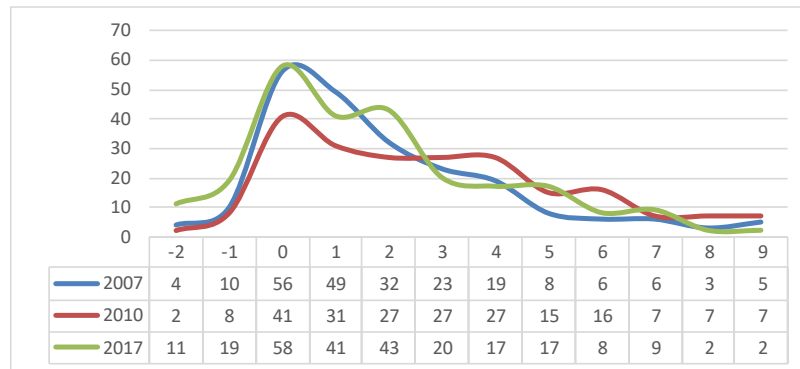


Figure 4. Distribution of the NFD/EBITDA ratio for the sample companies for the years 2007, 2010, and 2017

Source: Own presentation based on data from the AJPES database for the years 2007, 2010, and 2017.

From the graph in Figure 4, it can be seen that the red curve, which represents the normal distribution of the NFD/EBITDA ratio for the sample companies in 2010, is right-skewed (similarly to the other two curves), flatter (the other two curves are more compressed with higher peaks), and more stretched to the right, generally lying above the other two curves. This means that in the year of the last major financial crisis, absolutely more companies had relatively higher NFD/EBITDA ratios (more EBITDA was needed to cover net financial debt). This is indicated by the right side of the curve from the value 0. The left side of the same curve from 0, which lies below the other two curves, supports a similar conclusion. Companies in the sample that were not indebted – their NFD/EBITDA ratio was negative – either had more cash and cash equivalents, lower EBITDA, or both during the financial crisis. Thus, the NFD/EBITDA ratio below -2 was observed for more companies in 2007 and 2017 than in the crisis year. If we calculate for each company the regression coefficient between the NFD/EBITDA ratio and financial expenses for the period 2005–2017, we find no statistically significant relationship between them. Since net profit for the period is the main source for repaying principal on loans, we are finally interested in the relationship between the indebtedness of our sample companies and the profitability of their net sales revenue, which is graphically shown in Figure 5.

It is evident that after the financial crisis and economic recession, net sales profitability began to improve, reaching 5 % in 2017. This provided indebted companies with a source to repay their debt. This conclusion is further supported by the fact that, during the same period, the indebtedness of companies in our research sample began to decrease. The NFD/EBITDA ratio, which was almost 2 in 2010, fell to 1.20 by 2017. As mentioned, this is the average ratio of all 267 companies, calculated based on weighting by each company's net sales revenue.

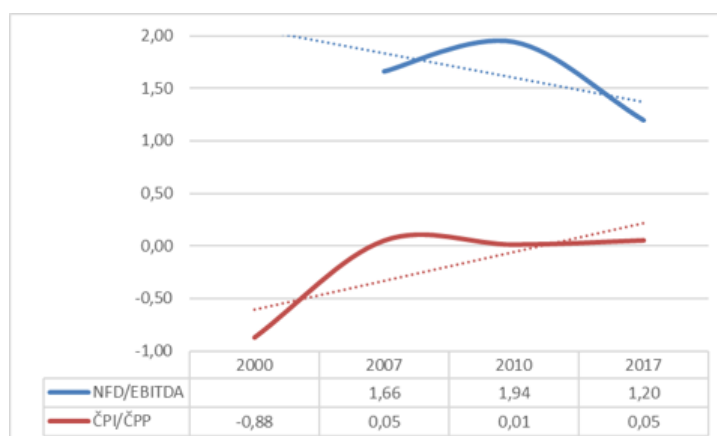


Figure 5. Trends in indebtedness (NFD/EBITDA) and profitability of net sales revenue (ČPI/ČPP) for the sample companies during the period 2000 - 2017

Source: Own work based on data from the AJPES database for the period 2000 - 2017.

Based on the results presented above, we can confirm and accept our second research hypothesis H2: Strategic investments increase company value by generating profit

4.3 Testing the third research hypothesis H3 on the impact of increased strategic investments on productivity growth and improved financial performance of companies

In the graph in Figure 6, we show, for all companies in our research sample, the trends of two productivity indicators, expressed in value terms, namely net sales per employee ($\check{C}PP/Z$) and value added per employee (DV/Z), for the period 2000–2017.

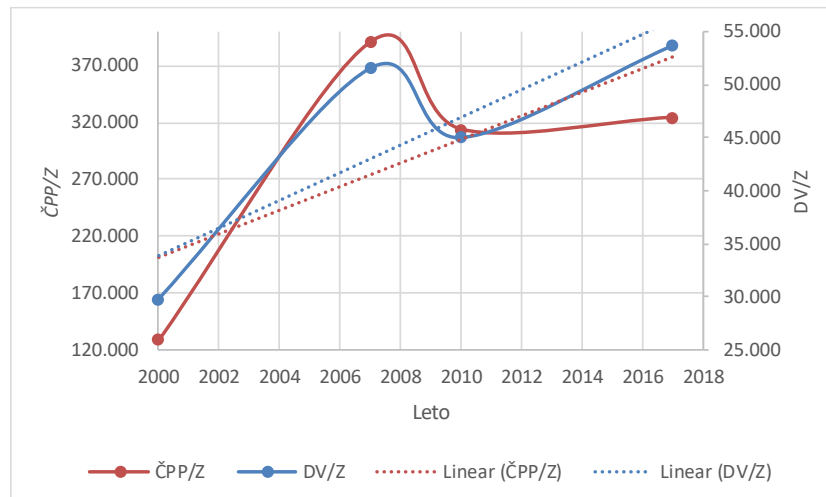


Figure 6. Trends in productivity (Net Sales per Employee – $\check{C}PP/Z$; Value Added per Employee – DV/Z) for the sample companies in the period 2000 - 2017

Source: Own representation based on data from the AJPES database for the period 2000 - 2017.

Productivity increased sharply in the period from 2000 until the major financial crisis in 2008. The crisis caused a decline, but after the crisis, productivity began to rise again, especially productivity measured by value added per employee.

Figures 7 and 8 show the ratio between the value added of the 30 largest companies in the sample and the value added of the other companies in the sample over the past 18 years. Both graphs show that, every year except during the year of the last major financial crisis and economic recession (2009), the 30 largest companies in the sample collectively generated more value added than the remaining companies in the sample (such data were available for only 237 companies in the sample) and that after that year, the gap began to widen.

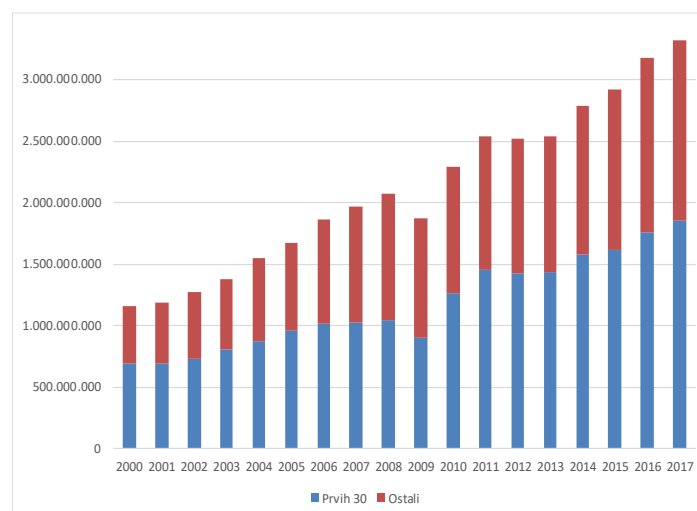


Figure 7. Dynamics of value added for the 30 largest sample companies in the period 2000 - 2017

Source: Own representation based on data from the AJPES database for the period 2000 - 2017.

Note: The ordinate (vertical) axis represents value added in euros, while the abscissa (horizontal) axis represents the 30 largest sample companies (blue) and the others in the sample (red).

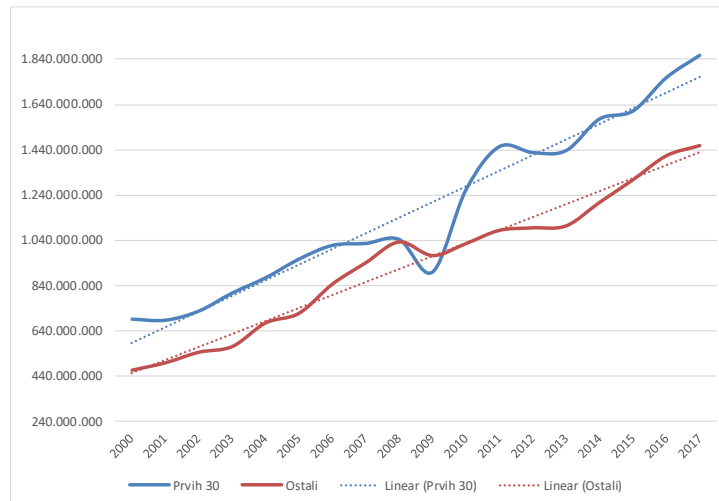


Figure 8. Dynamics of added value of the 30 largest sample companies in the period 2000 - 2017
Source: Own illustration based on data from the AJPES database for the period 2000 - 2017.

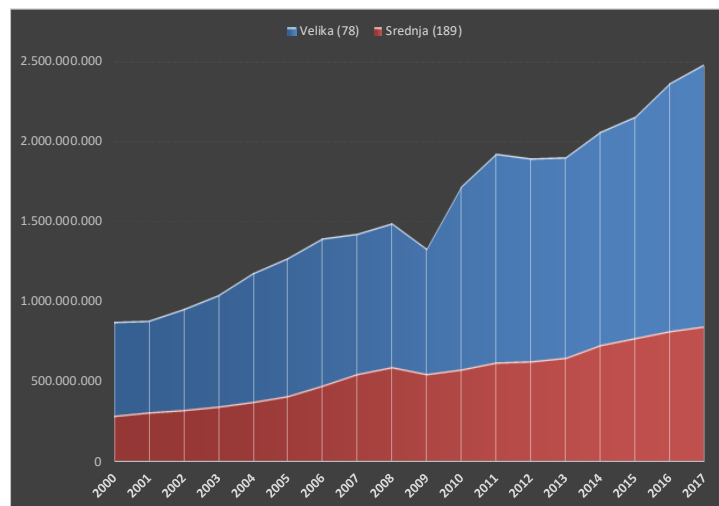


Figure 9. Dynamics of added value of large and medium-sized sample companies (267) in the period 2000 - 2017
Source: Own presentation based on data from the AJPES database for the period 2000 - 2017

Figure 9 above shows the ratio of added value generated over the past 18 years by large and medium-sized companies in our sample. From Figure 9, it can be seen that the 78 large companies created significantly more added value than the 189 medium-sized companies, but after 2009, at the start of economic recovery, the relative share of the latter gradually increases. Figure 9 shows how the financial crisis and economic recession affected the companies in our research sample and that, after these events, the added value per employee increased faster than net sales per employee, although by 2017 the companies had not yet reached pre-crisis levels. *Next, we examine the impact of strategic investments on the financial performance of companies.* For this purpose, we calculated the correlation between investments in tangible fixed assets and the financial indicators presented in the theoretical part of this paper (Chapter 2.7). Based on our findings and statistical analyses, the graphical presentation in Figure 10 includes only those financial indicators that show a statistically strong or moderately strong correlation with strategic investments, i.e., investments in tangible fixed assets. From Figure 10, it can be seen that the correlation is strong with net sales, added value, and EBITDA, but weaker with net profit.

The impact of the independent variable, i.e., investment in tangible fixed assets, on the financial indicator, namely EBITDA, was found to be weak ($R^2 = 0.305$; $b_1 = 0.145$; Sig.: 0.02), while for net profit of the accounting period (ČPI) this impact was negligible ($R^2 = 0.025$). In the case of b for investments in tangible fixed assets, the result indicates that these investments significantly contribute ($p = 0.02$) to predicting an increase in EBITDA. An increase in tangible fixed assets by 1,000 € generates 145 € of operating cash flow. This, of course,

applies to a one-year period. The investment generates cash flow over its entire useful life, which certainly spans multiple years depending on the type of tangible fixed asset. This is not a very high return on productively invested assets when compared to the returns of otherwise riskier financial investments.

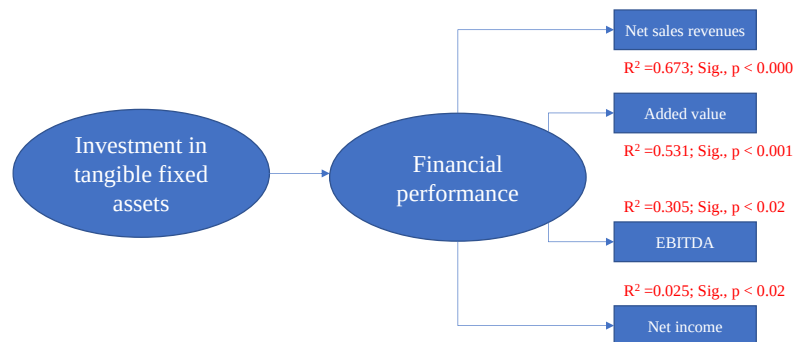


Figure 10. The impact of strategic investments (Tangible Fixed Assets) on improving financial business performance

Source: Own representation based on data from the AJPES database for the period 2000 - 2017 and statistical processing of data in SPSS 24

Since net profit, especially if not distributed to owners and retained in the company, increases equity and thus the value of the company, and can also serve as a main source for debt repayment, we are also interested in the relationship between the indebtedness of our sample companies and their profit margin over the entire research period. This is shown in Figure 11. The profit margin began to improve immediately after the financial crisis and economic recession, reaching 5 % in 2017. Companies with higher financial leverage generated funds for debt repayment. This is further supported by the observation that companies in our sample began reducing their indebtedness during the same period. The NFD/EBITDA ratio, which was almost 2 in 2010, decreased to 1.20 in 2017. As previously mentioned, this is a weighted average of all 267 companies, calculated using the net sales of each company as weights.

We are also interested in another indicator, which we want to include in a regression equation alongside net sales (ČPP). This is ROA, return on assets. We would expect that if net sales increased significantly due to investments in tangible fixed assets (their impact was more than two-thirds), then ROA should also have increased correspondingly. Efficient use of production assets should be reflected in higher ROA. This raises the question of whether tangible fixed assets were truly well-utilized (production running in three or four shifts?) and whether companies were able to fully meet customer demand. Linear regression did not show a strong relationship between ROA and ČPP ($R^2 = 0.236$; Sig.: 0.048). This indicates a weak correlation between the compared variables.

Similar findings apply to other financial indicators, such as return on equity (ROE), the ratio of EBITDA to total assets, and the efficiency indicator (Operating Revenue / Operating Expenses), for which we also calculated linear regression with net sales revenue. The trends of these indicators for our sample companies in the period 2000 - 2017 are graphically shown in Figure 11. In the graph in Figure 11, the blue curve, representing ROE, stands out the most. This indicator was very high in 2007 (0.35) before the financial crisis, then gradually declined until 2010, and only by 2017 did the equity of owners in our sample companies reach an average annual return of 10 %. When assessing the return on investments, it is necessary to consider their return from the perspective of all stakeholders who provided the financing. Since these include financial institutions, interest on borrowed loans is considered a form of return generated by the investments. This return does not remain with the companies or their owners, but it represents the return produced solely by the investments themselves.

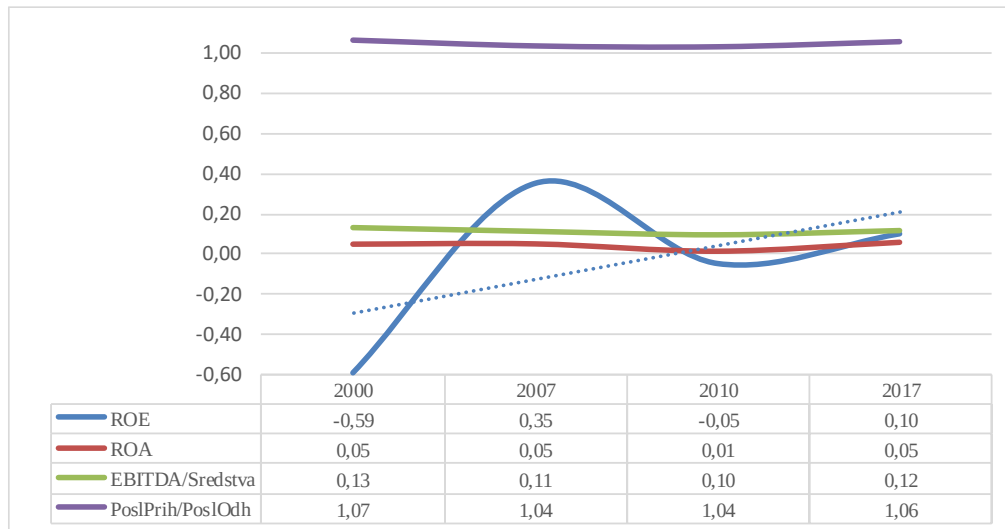


Figure 11. Trends in profitability and efficiency indicators for the sample companies in the period 2000 – 2017

Source: Own illustration based on data from the AJPES database for the period 2000–2017.

Based on the results presented above, we can confirm and accept our third research hypothesis *H3: Strategic investments increase productivity and improve business performance.*

5 Conclusion

This paper has demonstrated, both conceptually and empirically, that growth is essential for the development of national economies as well as for the long-term viability of individual companies, and that strategic corporate investments – particularly investments in innovation – are the key drivers of this growth. Growth stimulated by strategic corporate investments contributes directly to increasing company value, primarily through profits retained within the company and reinvested in future development. Sustainable growth, however, can be achieved only when companies effectively manage the risks inherent in innovation and growth strategies.

In the theoretical part, drawing on a broad body of literature, we examined in detail the central concepts relevant to our study: strategic corporate investments, company growth, company value, and financial performance indicators. Special attention was devoted to the notion of strategic corporate investments, a relatively recent and still evolving construct that demands conceptual clarification. The literature reveals a diversity of definitions, with authors adopting broader or narrower perspectives and delineating the specific activities that fall within this category. Our contribution to the scholarly debate lies in the synthesis, harmonization, and updating of these approaches, which has allowed us to formulate the following definition: *Strategic corporate investments are expenditures in physical or human capital directed toward the creation of new value. They generally take the form of large-scale projects with long-term implications for company growth and development. Grounded in dynamic capabilities – such as innovation and research and development – they are designed to enhance competitiveness, expand operations, introduce new technologies (including artificial intelligence and green technologies), and strengthen strategic market positions. They are characterized by high risk, uncertain and often difficult-to-measure outcomes, and substantial long-term impact on business performance.*

The literature review also revealed a research gap: while the constructs of corporate growth, value creation, shareholder wealth, and reinvestment of returns have been studied individually, their interdependencies and causal linkages have not been systematically explored. To address this gap, the present study developed the *Strategic Corporate Investment Cycle* – a novel conceptual model that explicates how strategic investments stimulate growth, how this growth translates into profitability, how profitability enhances company value, and how, ultimately, shareholder wealth is increased, and last but not least, how generated profit as retained earnings finances new strategic investments. By framing strategic investments as the principal drivers of

sustainable growth and long-term value creation, the model advances our theoretical understanding of this domain.

The empirical analysis, based on a representative sample of large and medium-sized Slovenian companies and drawing on both primary and secondary data for the period 2000–2017, tested three research hypotheses:

- H1: Strategic investments are the main drivers of overall company growth – *Confirmed*.
- H2: Strategic investments increase company value through profit generation – *Confirmed*.
- H3: Strategic investments enhance productivity and improve business performance – *Confirmed*.

All three hypotheses were fully supported by rigorous statistical testing, thereby reinforcing the validity of the proposed model. The study concludes that strategic corporate investment decisions are among the most consequential financial choices faced by companies, with long-term implications for competitiveness and sustainability. When investment risks are adequately managed, such decisions not only secure profitable and sustainable growth but also reinforce the cycle of reinvestment – particularly in innovations. Technological and managerial knowledge emerge as the *spiritus agens* that propels the strategic corporate investments cycle, enabling companies to recognize the interdependence of knowledge, innovation, and growth, and to continually pursue new investment opportunities.

Finally, the study points toward several promising avenues for further research. Future studies could extend the analysis to larger international samples, employ longitudinal designs to uncover causal dynamics within the proposed model, and incorporate investment in human capital, and non-financial performance indicators that reflect the broader impact of strategic corporate investments. It would also be valuable to replicate the study with more recent data – covering the post-2018 period – to compare the findings with those presented here and to examine how new global economic and technological trends may influence the *strategic corporate investments cycle*.

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