

Research Article

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The Strategic Corporate Investment Cycle: Evidence from Slovenia

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ABSTRACT

The article examines strategic investments as the key source of value creation for owners and a central driver of corporate growth. Its main objective is to test three hypotheses: that strategic investments are the primary generator of company growth, that they increase company value through profit creation, and that they enhance productivity and overall business performance. The author develops a conceptual framework termed the strategic investment cycle, which links strategic investments, company growth, profit generation, equity growth, and the financing of new investments. Strategic investments stimulate growth through higher net sales revenues and added value. When investment decisions are rational and risks well managed, growth leads to profit, which-if retained-raises equity, firm value, and owners' wealth. Retained earnings thus become an internal source for further strategic investments, closing the cycle. Based on an extensive literature review, the paper explains the individual constructs and their causal relationships. In the empirical section, the hypotheses are tested using statistical methods on primary and secondary data from a representative sample of medium-sized and large Slovenian companies over the period 2000-2017. All hypotheses are fully confirmed. The article concludes that strategic investment decisions have long-term effects on company performance and sustainable growth, with innovation, technological development, and managerial knowledge acting as key enablers of the strategic investment cycle.

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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.

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 investments. Strategic 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.

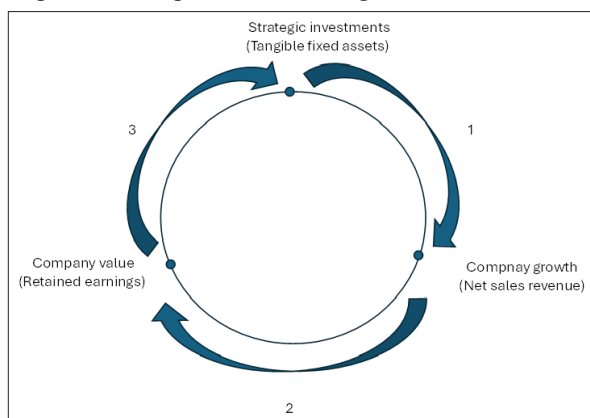


Figure 1: The cycle of strategic investments: strategic investments → company growth → company value (retained earnings) → strategic investments (Source: own work).

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 cycle of strategic investments.

Following a brief introductory presentation of the purpose and objectives of this paper, along with the conceptual model, in Section 2 (Theoretical Foundations) 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 is was Joan Robinson. She was followed by Ricardo, Marx, 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 (long-term tangible fixed assets) 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.

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.

The Discussion Section 5 places the empirical findings within the broader theoretical framework of strategic investment and corporate growth. It examines the role of investments in tangible fixed assets as a mechanism for expanding productive capacity and supporting long-term business development. Particular attention is devoted to the interrelationships between investment activity, sales growth, profitability, company value, capital structure, and financial leverage. The section further considers the implications of strategic investments for productivity and operational efficiency, while critically evaluating the proposed research hypotheses in light of the study's empirical evidence.

In the Conclusion of the paper, Section 6, we summarize the main findings of our research, and, above all, we answer 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 cycle of strategic investments.

Theoretical Foundations

Definition of Corporate Strategic Investments

Investments are expenditures intended to increase or preserve capital stock and future income. In economic theory, investments are usually divided into business long-term investments, residential investments, and inventory investments. This discussion focuses on corporate long-term investments, especially investments in equipment, buildings, technology, and other assets that contribute to company development [1].

Investments play an important developmental role because they increase production capacity and stimulate economic growth. At the corporate level, investments are closely linked to the desired level of capital stock, profitability expectations, and adjustment to market conditions [1]. Modern investments increasingly include technological transformation through robotics, artificial intelligence, cyber-physical systems, and digitalisation [2].

From the perspective of value-based management, investments can be divided into strategic and non-strategic investments. Strategic investments create new value and support company growth, while non-strategic investments maintain already-created value. Strategic investments may involve tangible or intangible assets, such as research and development, market expansion, technology acquisition, or innovation [3].

Achim & Klein (2022) define strategic investments as risky long-term decisions that influence competition and market dynamics. Barbieri et al. (2024/2025) emphasise their high impact on future performance, irreversibility, and significant resource requirements. Typical examples include acquisitions, mergers, new product development, production modernisation, and expansion into new markets [4-6].

Strategic investments often involve uncertainty and difficult evaluation processes. Excessive dependence on purely financial evaluation methods may discourage innovation and long-term capability development [7,8]. According to strategic investments generally include mergers and acquisition, research and development, ownership stakes and joint ventures. The benefits of strategic investments include diversification, market expansion, and technological progress [9]. Diversification reduces dependence on individual customers or markets, while technological investments improve competitiveness and create new revenue streams.

At the same time, strategic investments also involve risks. Financial risks arise because such projects require substantial capital and long implementation periods. Integration risks are especially important in mergers and acquisitions, where organisational cultures, human resources, and information systems must be aligned successfully [10].

Explains that strategic investments are often irreversible and strongly influence company positioning regarding market share, production capacity, and costs. They therefore represent a key element of long-term competitive strategy [11].

Understanding Business Growth as Their Imperative

Compares business growth to the growth of living organisms. Although business growth cannot be explained solely through biological analogies, growth remains a fundamental imperative for companies and economies. Economic growth generally refers to the increase in the value of goods and services produced within an economy, while corporate growth is reflected in increasing revenues, assets, and market presence [12].

Growth is essential for maintaining competitiveness, increasing market share, achieving economies of scale, and satisfying stakeholder expectations. Dynamic growth generates cash flows necessary for future investments in innovation, productivity improvements, and expansion. Growing companies are also more attractive to customers, suppliers, investors, and employees.

Modern growth, however, must increasingly be sustainable. According to sustainable growth is based on differentiation, innovation, product quality, strong brands, customer satisfaction, and efficient management of human resources. Companies must therefore continuously improve products, services, technologies, and processes.

Growth strategies may focus on existing or new products and markets. In highly competitive global markets, companies must outperform competitors by innovating more effectively and managing profitability alongside growth. Revenue growth alone is insufficient; companies must also monitor efficiency and profitability.

Strategic Investments and Growth

Strategic investments are closely linked to business growth because they enable expansion, innovation, and stronger market positioning. According to companies seeking growth opportunities invest in activities that increase revenues, geographic reach, technological capabilities, and customer bases [9].

Research by confirms a connection between investment decisions and company growth. Resource-based theory explains that growth differences between companies arise primarily from internal resources and dynamic capabilities. Companies possessing

valuable and difficult-to-imitate resources are more likely to exploit growth opportunities successfully [13-15].

Industrial organisation theory offers another perspective, emphasising industry structure and entry barriers. Industries with higher entry barriers often provide greater opportunities for sustained growth and profitability [16].

Studies also demonstrate that strategic investments can be particularly beneficial in concentrated or high-technology industries. Companies entering new industries or markets during growth phases may experience strong expansion opportunities because market demand exceeds supply [17,18].

Overall, strategic investments contribute to growth by enabling companies to improve capabilities, exploit market opportunities, and strengthen competitive advantages.

Strategic Investments and Maximizing Company Value for Owners through Profit Generation

The primary goal of companies is generally understood as maximizing company value for owners. Strategic investments contribute to this objective by improving profitability, strengthening competitive position, and increasing future cash flows [19].

Research on the relationship between investments and company value has produced mixed findings over time. Some studies found positive effects of investment decisions on company value while others identified weaker or negative effects [20-23]. More recent research again confirms the importance of investment decisions for value creation [24,25].

Signalling theory explains that investment expenditures send positive signals to investors about future company growth and profitability. Investments therefore influence investor confidence, shareholder wealth, and market value [26,27].

Profitability remains one of the most important indicators of successful investment activity. High profitability demonstrates managerial efficiency and increases investor interest [28,29]. Companies with profitable investments generally enjoy stronger liquidity, greater financial stability, and higher market value.

Investment decisions must therefore balance expected returns and risks. Rational strategic investments can increase company value by generating sustainable profits and long-term growth.

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

Value-based management theory emphasises that companies should increase shareholder wealth through profitable growth. Strategic investments are essential because they create opportunities for sustainable expansion and above-average returns.

The P/E ratio is frequently used as an indicator of market expectations regarding company profitability and growth potential. A high P/E ratio may reflect strong expectations of future growth, innovation, or profitability, although interpretations vary across industries and economic periods.

According to company growth and profitability depend mainly on four factors: return on invested capital relative to the cost of capital (1), the level of investments (2), the duration of profitable growth (3), and risk management (4).

Profitable strategic investments increase investor confidence and improve the company's ability to attract capital. However, sustaining above-average growth over long periods is difficult. Argue that companies often fail because they suppress disruptive innovations before they can develop fully [30].

Risk management is therefore crucial. Companies must manage financial, operational, and strategic risks while simultaneously encouraging innovation and growth (Fasnacht, 2009). Strategic growth may occur through mergers, acquisitions, alliances, joint ventures, or organic expansion.

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

Innovation is widely recognised as one of the main drivers of growth and competitiveness. In business practice, innovation usually refers to the development of new products, services, technologies, processes, or business models. Innovations represent strategic investments because they require financial resources, organisational adaptation, and long-term planning. Their purpose is to create value for companies, customers, and investors. Innovations improve product quality, operational efficiency, and competitive advantage.

Fasnacht (2009) identifies several dimensions of innovation: expansion of products and services (1), development of new production and distribution methods (2), and organisational and managerial improvements (3).

Innovation benefits multiple stakeholders. Customers receive better products and services, employees gain new opportunities and skills, while companies achieve higher productivity, stronger growth, and increased profitability.

Recent studies continue to emphasise the importance of innovation and diversification. Highlight innovation as a tool for resilience during economic downturns, while analyse strategic investments in climate technologies and emerging value chains [31,32].

Without innovation, companies struggle to differentiate themselves from competitors or maintain sustainable growth. Innovation therefore represents a fundamental strategic investment that enhances company value and shareholder wealth.

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

Numerous studies confirm that strategic investments positively influence business performance, productivity, sales growth, and employment growth [33,34].

Strategic investments often improve productivity because new capital incorporates modern technologies [35]. However, productivity gains may initially develop slowly because employees require time to adapt to new technologies and processes.

Found that large investments are generally associated with company growth, improved performance, and increased competitiveness. also identified positive effects of investments on labour productivity, profitability, and sales growth [36].

Traditional financial indicators alone are increasingly considered insufficient for measuring business success. Companies now also monitor non-financial indicators such as innovation, customer satisfaction, service quality, employee productivity, and ESG performance [37,38].

Buglea et al. analyse the relationship between digital transformation and non-financial performance indicators, show that companies frequently combine financial and non-financial metrics when evaluating management performance [39,40].

Although profitability remains important, growth is often the primary driver of market capitalisation. Companies that successfully combine asset growth with profitability achieve stronger long-term performance. Strategic investments therefore play a critical role in ensuring sustainable growth, innovation, and competitive advantage.

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.

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.

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.

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 [41].

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. Secondary data was obtained from the GVIN database [42].

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).

Table 1: Size of Sample Companies According to Article 55 of the Companies Act (ZGD-1-NPB14) (source: Investment ability of the companies, questionnaire 2018)

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

Table 2: Overview of Companies by Region (source: Investment ability of the companies, questionnaire 2018)

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

Table 3: Predominant activity according to the Standard Classification of Activities (SKD 2008, V2) (source: Investment ability of the companies, questionnaire 2018)

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
Zasavska	6	2.25	18	1.58	0.67
Total	267	100	1 142	100	0.00

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.

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).

Research Results

In the following, we present and summarize the results of the study.

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

We first test the research hypothesis that an increase in strategic investments affects company growth. Strategic investments are defined as investments in tangible fixed assets, 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.

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:

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

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.

Below, we present the calculation of the linear regression for the pair of variables, OOS and ČPP.

Table 4: Linear Regression Calculation for the Dependent Variables OOS and ČPP (source: Investment ability of the companies, questionnaire 2018)

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

a. Predictors: (Constant), Opr osn sred

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: Cisti prihod prod

b. Predictors: (Constant), Opr osn sred

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-23654658,1	9981459,460		-2,370	,032
	Opr osn sred	1,505	,271	,821	5,561	,000

a. Dependent Variable: Cisti prih od prod

Bootstrap for Coefficients						
Model	B	Bias	Std. Error	Bootstrap ^a		
				Sig. (2-tailed)	BCa 95% Confidence Interval Lower	BCa 95% Confidence Interval Upper
1	(Constant)	-818984,712	11901364,94	,116	-47733387,8	-666241,520
	Opr osn sred	,027	,338	,012	,894	2,193

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

The R^2 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.

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 €.

In the same table, we can read the value of b_1 , which represents the slope of the regression line and equals 1.505.

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).

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 $p = 0.012$. The bootstrap procedure also recalculates the standard error, which changes from 0.271 to 0.338. For the constant, the standard error is 9,981,459.46, while the bootstrap estimate of the standard error is 11,901,364.94.

Figure 2 shows the distribution of correlation coefficients between the variables OOS and ČPP for all companies included in the sample.

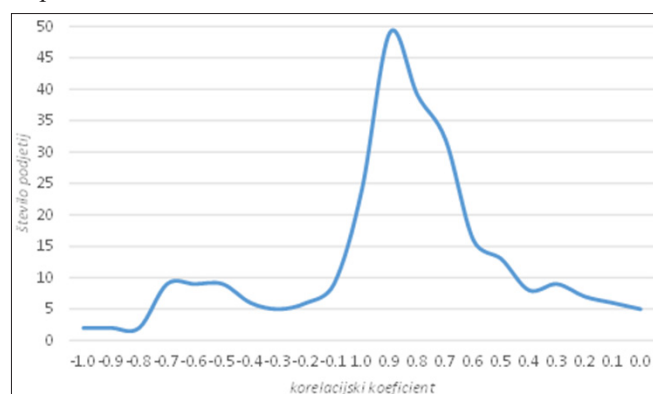


Figure 2: Distribution of correlation coefficients for the variables OOS and ČPP for all companies included in the sample for the period 2000–2017 (source: Own representation based on the calculation of correlation coefficients for the variables OOS and ČPP for 267 companies in the sample for the period 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.

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.

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.

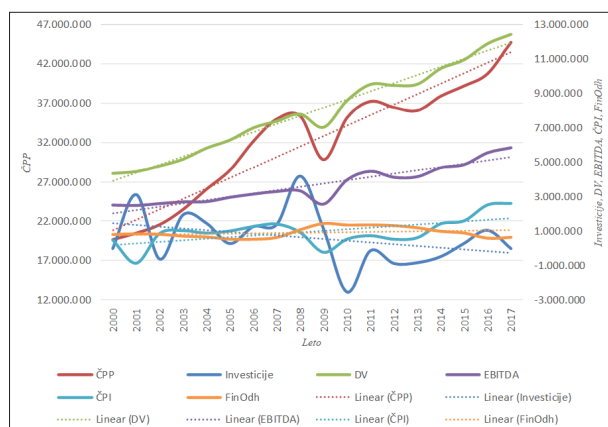


Figure 3: Financial indicators compared with the increase or decrease of tangible fixed assets for the sample companies (267) in the period 2000–2017 (source: Own presentation based on data from the AJPES database for the period 2000–2017)

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).

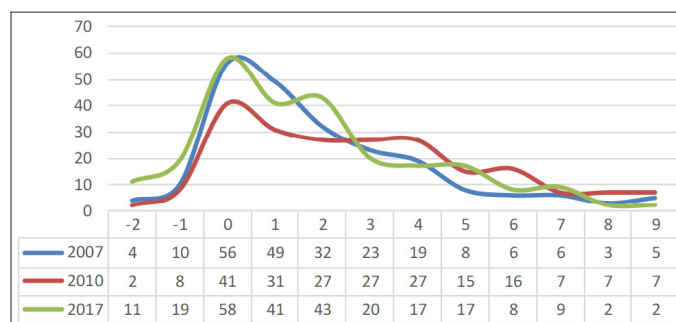


Figure 4: Distribution of the NFD/EBITDA ratio for the sample companies for the years 2007, 2010, and 2017 (source: Own presentation based on data from the AJPES database for the years 2007, 2010, and 2017)

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.

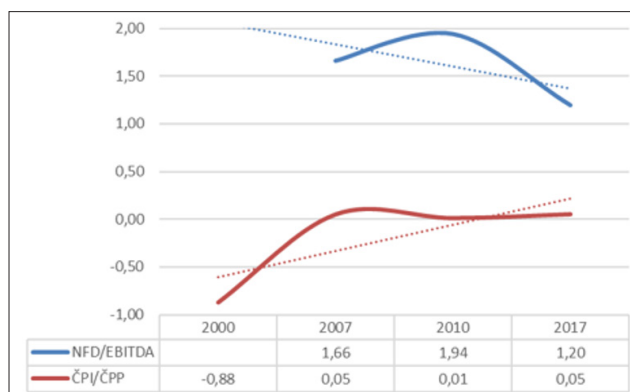


Figure 5: Trends in indebtedness (NFD/EBITDA) and profitability of net sales revenue (ČPI/ČPP) for the sample companies during the period 2000–2017 (source: Own work based on data from the AJPES database for the period 2000–2017)

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

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 (ČPP/Z) and value added per employee (DV/Z), for the period 2000–2017.

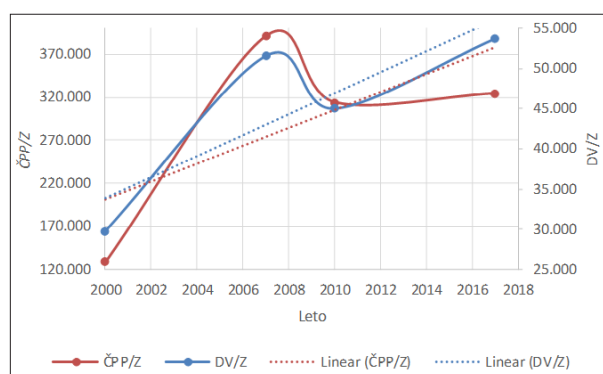


Figure 6: Trends in productivity (Net Sales per Employee – ČPP/Z; Value Added per Employee – DV/Z) for the sample companies in the period 2000–2017 (source: Own representation based on data from the AJPES database for the period 2000–2017)

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.

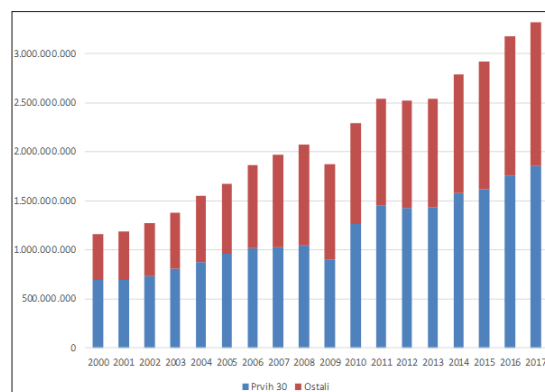


Figure 7: Dynamics of value added for the 30 largest sample companies in the period 2000–2017 (source: Own representation based on data from the AJPES database for the period 2000–2017)
Note: The ordinate (vertical) axis represents value added in euros, while the abscissa (horizontal) axis represents the 30 largest sample companies (blue) and the others in the sample (red).

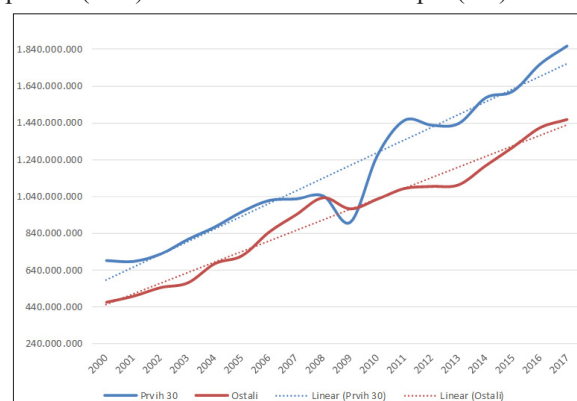


Figure 8: Dynamics of added value of the 30 largest sample companies in the period 2000–2017 (source: Own illustration based on data from the AJPES database for the period 2000–2017)

Figure 9 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.

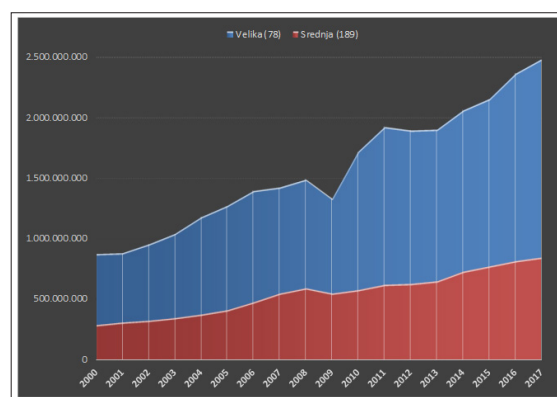


Figure 9: Dynamics of added value of large and medium-sized sample companies (267) in the period 2000–2017 (source: Own

presentation based on data from the AJPES database for the period 2000 - 2017.

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.

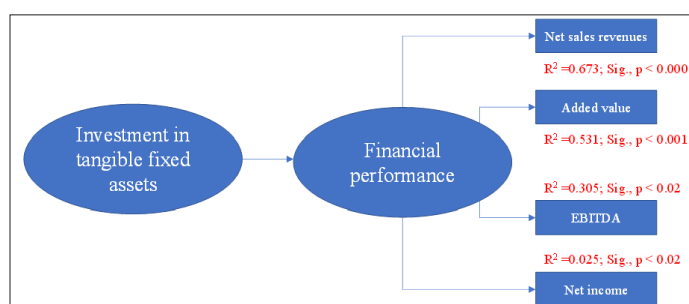


Figure 10: The impact of strategic investments (Tangible Fixed Assets) on improving financial business performance (source: Own representation based on data from the AJPES database for the period 2000 - 2017 and statistical processing of data in SPSS 24) Based on the results presented above, we can confirm and accept our third research hypothesis H3: Strategic investments increase productivity and improve business performance.

Discussion

At the very beginning of our discussion, 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.

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 €.

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.

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.

Bootstrap confidence intervals and significance values are useful because they do not rely on assumptions about normality of the distribution or homoscedasticity (Field, 2013).

Relying on the research results presented above and on the discussion just provided, we can once again confirm and accept our first research hypothesis H1: Strategic investments are the greatest driver of company growth.

Further in our discussion, 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.

Thus, we can confirm and accept our second research hypothesis H2: Strategic investments increase company value by generating profit.

We conclude our discussion while taking into account the assessment of productivity and business performance of the companies due to the strategic investments. 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 below. 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.

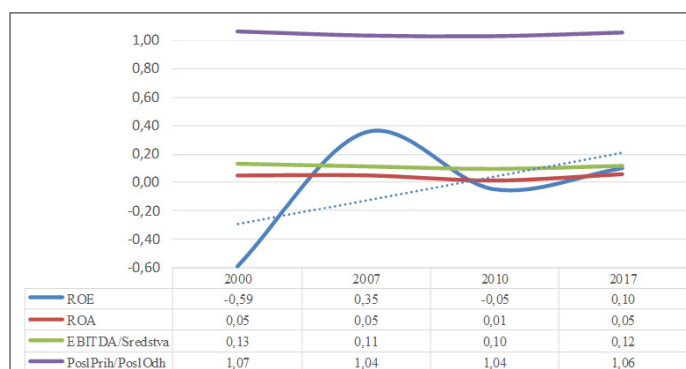


Figure 11: Trends in profitability and efficiency indicators for the sample companies in the period 2000 – 2017 (source: Own illustration based on data from the AJPES database for the period 2000–2017)

Finally, we can confirm and accept our third research hypothesis H3: Strategic investments increase productivity and improve business performance.

Conclusion

In this paper, we have demonstrated and empirically proven that growth is vital for both the economy and individual companies, and that strategic investments – among which are investments in innovations – drive this growth. Growth stimulated by strategic investments also increases the value of companies through profits that remain within the company and are intended for reinvestment. Sustainable growth can be maintained in the long term only if companies effectively manage the risks associated with innovations and growth strategies.

In the theoretical part of this paper, we first presented, based on numerous literary sources from various authors and researchers in the field, key concepts in some detail, such as strategic investments, company growth, company value, and relevant financial performance indicators. Using a conceptual model, which we called the “circle of strategic investments,” we attempted to link these concepts and identify causal relationships between them. Specifically, we examined how strategic investments stimulate growth, and how this growth – measured through increased sales – translates into higher profits and, consequently, increased company value or owners’ wealth. In essence, strategic investments are the true generators of growth and value creation [43-87].

In the methodological part of this paper, we formulated three research hypotheses, which we summarize here and answer regarding whether they can be confirmed or accepted:

- **Research Hypothesis H1:** Strategic investments are the main drivers of overall company growth. This hypothesis is fully confirmed.
- **Research Hypothesis H2:** Strategic investments increase company value through profit generation. This hypothesis is fully confirmed.
- **Research Hypothesis H3:** Strategic investments enhance productivity and improve business performance. This hypothesis is fully confirmed.

These positive conclusions were reached in the empirical part of the study, where we tested these hypotheses using statistical methods and the SPSS software on a sample of large and medium-sized Slovenian companies. The study used primary data from a representative survey and secondary data from the GVIN database over a relatively long period from 2000 to 2017.

It should be emphasized that strategic investment decisions are important financial decisions for companies with long-term consequences, which, when investment risks are managed, provide sustainable growth. To simply illustrate profitable and sustainable growth driven by strategic investments – including innovation investments – we cannot ignore technological and managerial knowledge, which act as the spiritus agens driving our circle of strategic investments. Only when companies understand the interdependence of knowledge, innovation, and growth they can continue exploring new investment opportunities. Throughout, the cycle of strategic investments continues to revolve.

Several opportunities for further research on strategic investments and growth were already indicated within the limitations of this study. It would be appropriate to expand the sample size to include a larger number of large foreign companies. Furthermore, to identify causal directions of certain variables or constructs in our conceptual model, a longitudinal study would be useful. Including

a set of relevant non-financial performance indicators related to strategic investments would also be meaningful. Finally, it would be interesting to repeat the study based on data from the period after 2018 – perhaps covering the following seven to ten years – and compare the results with those of the current study.

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