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Strategic Investments and Macroeconomic Determinants of Profitability

Mayada CHIBLI

PhD Candidate, Bucharest University of Economic Studies, Bucharest, Romania;
Faculty, Lebanese International University, Tyre, Lebanon

Abstract

In an increasingly competitive and volatile global economy, understanding the drivers of corporate profitability is critical for sustainable growth. This study investigates the impact of strategic investments and macroeconomic factors on national profitability, focusing on Romania from 2013 to 2023. Drawing on data from Eurostat, AMECO, and the World Bank, an Ordinary Least Squares (OLS) regression model is employed to analyze the relationships between profitability and five key variables: R&D expenditure, education levels, unemployment, employee compensation, and technological adoption. The results reveal that R&D investments exert the strongest positive influence on profitability ($\beta = 5.002$, $p = 0.0013$), followed by education levels ($\beta = 0.019$, $p = 0.0009$), while unemployment significantly reduces profitability ($\beta = -4.651$, $p = 0.0189$). Employee compensation, though marginally insignificant ($p = 0.059$), suggests potential motivational benefits for productivity. The model demonstrates robust explanatory power (adjusted $R^2 = 0.803$) and validates the critical role of innovation and human capital in profitability maximization. These findings align with strategic management theories emphasizing technological differentiation and resource-based competitiveness but challenge conventional assumptions about wage structures. The study fills a gap in literature by integrating macroeconomic variables with firm-level strategies, offering policymakers and business leaders actionable insights for prioritizing R&D funding, education reforms, and adaptive labor policies. Methodologically, it advances the application of econometric modeling in strategic management, particularly in emerging markets. Limitations include a constrained sample size, suggesting opportunities for future research with expanded datasets.

Keywords: Profitability Maximization, Strategic Management, Econometric Modeling, R&D Investment, Macroeconomic Determinants