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Strategic Management Practices and Business Growth of Small and Medium Enterprises

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Peer Review Information	Abstract
<i>Submission: 07 Jan 2017</i> <i>Revision: 22 Feb 2017</i> <i>Acceptance: 08 March 2017</i> Keywords <i>Strategic Management,</i> <i>SMEs, Business Growth,</i> <i>Strategic Planning,</i> <i>Entrepreneurial</i> <i>Orientation</i>	Small and medium enterprises (SMEs) depend heavily on managerial judgment because they usually operate with constrained finance, limited specialized staff, and high exposure to market uncertainty. This study examines how strategic management practices influence business growth in SMEs by integrating environmental scanning, formal strategic planning, strategy implementation, evaluation and control, entrepreneurial orientation, and resource alignment into a single analytical framework. A quantitative, cross-sectional methodology is proposed for owner-managers and senior managers of SMEs. The model measures strategic management practices through multi-item Likert scales and evaluates business growth using sales growth, customer growth, market expansion, employment growth, and perceived profitability. The literature indicates that planning is most valuable when it is accompanied by implementation discipline, learning, and adaptation rather than treated as a static document. The proposed results framework therefore tests both direct relationships and the combined contribution of strategic practices to SME growth. Illustrative statistical results demonstrate how reliability analysis, correlation, and multiple regression may be reported in a complete empirical paper. The framework contributes a practical method for diagnosing strategic weaknesses in SMEs and provides managers with a structured path from environmental analysis to measurable growth. For publication or thesis submission, the illustrative results should be replaced with data obtained from the selected SME sample.

Introduction

Small and medium enterprises are widely recognized as flexible and entrepreneurial organizations, but their smallness also creates managerial vulnerabilities. Owners frequently combine strategic, financial, marketing, and operational responsibilities, leaving limited time for systematic analysis. In such conditions, growth may depend not merely on access to capital or market demand but also on the quality of strategic choices. Strategic management provides a disciplined process through which firms assess their environment, define long-term objectives, allocate resources, execute chosen

actions, and evaluate whether those actions are producing the intended outcomes.

The theoretical basis for linking strategy with SME growth is strongly supported by the resource-based view. Barney (1991) argues that differences in valuable, rare, difficult-to-imitate, and non-substitutable resources can produce sustained competitive advantage. For SMEs, these resources are often managerial capabilities, customer relationships, local knowledge, entrepreneurial skills, employee commitment, and the ability to respond quickly. Strategic management can convert such

resources into growth when the firm identifies where it is strong, chooses a coherent market position, and coordinates scarce resources around priorities.

Entrepreneurial orientation adds an important behavioral dimension. Lumpkin and Dess (1996) describe entrepreneurial orientation through characteristics such as innovativeness, proactiveness, risk taking, competitive aggressiveness, and autonomy. In small firms these characteristics can improve opportunity recognition and market responsiveness, but high entrepreneurial energy without strategic discipline can also create scattered investments and inconsistent priorities. Wiklund and Shepherd (2005) show that the performance value of entrepreneurial orientation depends on the configuration of internal and environmental conditions, while Rauch et al. (2009) provide cumulative empirical evidence of a generally positive entrepreneurial orientation-performance relationship.

Planning is another major component. Delmar and Shane (2003) found that business planning can facilitate venture development by improving coordination and decision sequencing. Kraus, Harms, and Schwarz (2006) reported that strategic planning in smaller enterprises is associated with performance, particularly when planning is formalized and periodically controlled. A later meta-analysis by Brinckmann, Grichnik, and Kapsa (2010) concluded that business planning tends to improve performance, although contextual factors influence the strength of the relationship. These findings suggest that planning should not be viewed as rigid bureaucracy; rather, it is a learning and coordination mechanism.

The present study therefore examines strategic management as a set of connected practices instead of as a single planning activity. The central proposition is that SMEs grow more consistently when they scan the environment, formulate explicit objectives, align resources, implement strategies, and regularly evaluate results. Business growth is treated as multidimensional because growth can appear in sales, customers, markets, employees, and profitability. The study addresses the following objective: to determine the effect of strategic management practices on the business growth of SMEs and to identify which strategic dimensions contribute most strongly to growth.

Literature Review

Strategic management in SMEs differs from that in large corporations because decision authority

is concentrated, planning horizons are often shorter, and the owner-manager's experience has a stronger influence on organizational choices. Stonehouse and Pemberton (2002) found that SMEs do engage in strategic planning, but the level of formality and use of analytical tools varies considerably. The practical implication is that a useful strategic-management model for SMEs must be structured enough to improve decision quality while remaining flexible enough for firms with limited administrative capacity.

Environmental scanning is the starting point of the strategic process. It involves identifying changes in customers, competitors, technology, regulations, suppliers, and the macroeconomic environment. Scanning reduces the risk of making decisions based only on past experience. When scanning is linked to clear objectives, the SME can distinguish temporary operational problems from strategic threats and opportunities. The resource-based view further indicates that external opportunities create value only when the firm possesses or develops suitable internal resources (Barney, 1991).

Strategic planning translates information into goals, priorities, and action choices. Delmar and Shane (2003) emphasize that planning supports venture organizing, while Kraus et al. (2006) show that formalization, time horizon, control frequency, and the use of planning instruments are relevant elements in smaller firms. Brinckmann et al. (2010) likewise conclude that planning has a positive average relationship with performance, particularly when it contributes to learning and adaptation. Planning is therefore expected to support SME growth by clarifying priorities and reducing resource dispersion.

Strategy implementation is the conversion of plans into coordinated activities, budgets, responsibilities, schedules, and market actions. Weak implementation explains why even well-developed plans may fail to influence performance. Implementation quality is especially important in SMEs because the same limited pool of resources must support daily operations and strategic initiatives. A practical implementation system must specify responsibilities, milestones, resource commitments, and feedback routines.

Evaluation and control close the strategic-management cycle. Managers compare actual outcomes with targets, investigate deviations, and revise strategies when assumptions change. Control does not imply inflexibility; rather, it provides information for adaptive decision-making. Kraus et al. (2006) identify control

frequency as one of the relevant dimensions of planning in smaller enterprises. When evaluation is combined with entrepreneurial orientation, SMEs can preserve flexibility while avoiding repeated untested decisions.

The literature therefore supports an integrated model in which strategic management practices influence growth directly and also improve the way resources and entrepreneurial behaviors

are converted into outcomes. Based on the reviewed studies, four hypotheses are proposed: H1, environmental scanning positively affects SME growth; H2, strategic planning positively affects SME growth; H3, strategy implementation positively affects SME growth; and H4, strategic evaluation and control positively affect SME growth. A fifth overall hypothesis proposes that the combined strategic-management index significantly predicts SME growth.



Figure 1. Conceptual framework linking strategic management practices to SME business growth.

Methodology

Research Design: The study adopts a quantitative, explanatory, cross-sectional design. The unit of analysis is the SME, while the respondent is an owner-manager, founder, general manager, or senior functional manager who is familiar with strategic and performance decisions. The design is appropriate for testing the statistical association between strategic-management practices and business growth at a defined point in time.

Population and Sampling: A practical target population consists of formally operating SMEs in manufacturing, services, retail, and allied sectors. Stratified sampling may be used to ensure that no single sector dominates the sample. For a compact empirical study, a target of approximately 180 usable questionnaires is adequate for descriptive analysis and multiple regression with four principal predictors, provided that standard regression assumptions

are examined. Organizations should meet the SME definition applicable in the study jurisdiction.

Instrument and Measurement: Data are collected through a structured questionnaire using a five-point Likert scale from 1 = strongly disagree to 5 = strongly agree. Environmental scanning measures the frequency and quality of customer, competitor, technology, and regulatory analysis. Strategic planning measures written objectives, time horizons, competitive priorities, and action plans. Implementation measures responsibility assignment, budgeting, communication, and milestone execution. Evaluation and control measure target setting, review frequency, corrective action, and performance feedback. Business growth is measured through sales, customer base, market reach, employment, and perceived profitability growth over the preceding three years.

Table 1. Operationalization of study variables.

Construct	Indicators	Items	Expected Link
Environmental scanning	Customers, competitors, technology, regulation	4	+ Growth
Strategic planning	Objectives, priorities, time horizon, action plans	4	+ Growth
Strategy implementation	Responsibility, budget, communication, milestones	4	+ Growth
Evaluation & control	Targets, reviews, feedback, corrective action	4	+ Growth
Business growth	Sales, customers, markets, employees, profitability	5	Dependent variable

Validity and Reliability: Content validity is established by matching questionnaire items to the constructs used in the strategic-management literature and by obtaining expert review from management academics or SME practitioners. A

pilot test can be conducted with 20-30 respondents not included in the final sample. Internal consistency is assessed using Cronbach's alpha, with values of 0.70 or above treated as acceptable for the multi-item scales.

Data Analysis: The analysis proceeds in four stages. First, missing values, outliers, and respondent profiles are examined. Second, means, standard deviations, and Cronbach's alpha are calculated. Third, Pearson correlations assess bivariate associations. Finally, multiple linear regression estimates the effect of environmental scanning, strategic planning, implementation, and evaluation/control on business growth. The model is expressed as: $BG = \beta_0 + \beta_1ES + \beta_2SP + \beta_3SI + \beta_4EC + \epsilon$, where BG is business growth, ES is environmental scanning, SP is strategic planning, SI is strategy implementation, and EC is evaluation and control.

Ethical Considerations: Participation should be voluntary and respondents should be informed that individual firms will not be identified in the report. No confidential financial statements are required; performance can be captured through categorical or perception-based growth measures where respondents are unwilling to

disclose exact figures. The data should be used only for academic analysis.

Results

Note: The numerical results below are illustrative, included to demonstrate the required reporting format for this methodology paper. They must be replaced by actual field results before the paper is presented as an empirical study.

In the illustrative dataset, 180 usable SME responses are analyzed. Service firms account for 38.3% of the sample, retail/trading for 27.2%, manufacturing for 22.8%, and other activities for 11.7%. Approximately 61% of respondents are owners or founders and the remainder are senior managers. The reliability coefficients for all multi-item constructs exceed the recommended 0.70 threshold, indicating adequate internal consistency.

Table 2. Illustrative descriptive statistics and reliability.

Variable	Mean	SD	Cronbach's alpha
Environmental scanning	3.71	0.66	0.81
Strategic planning	3.64	0.72	0.84
Strategy implementation	3.55	0.70	0.82
Evaluation & control	3.48	0.74	0.80
Business growth	3.69	0.68	0.86

Correlation analysis shows positive associations between all four strategic dimensions and business growth, with the strongest relationship observed for strategy implementation. The regression model is statistically significant in the illustrative analysis and explains 48% of the

variance in SME growth (adjusted R-squared = 0.47). This level of explanatory power indicates that strategic-management practices may represent an important, although not exclusive, group of growth drivers.

Table 3. Illustrative multiple regression results for SME business growth

Predictor	Beta	t	p	Decision
Environmental scanning	0.15	2.31	0.022	Supported
Strategic planning	0.22	3.38	0.001	Supported
Strategy implementation	0.31	4.72	<0.001	Supported
Evaluation & control	0.19	2.96	0.004	Supported

The illustrative coefficients suggest that implementation is the strongest predictor, followed by strategic planning, evaluation and control, and environmental scanning. This pattern is consistent with the argument that information and plans create value only when translated into coordinated action. The positive planning effect is also consistent with Delmar and Shane (2003), Kraus et al. (2006), and the meta-analytic conclusions of Brinckmann et al. (2010). Entrepreneurial orientation remains relevant as a supporting strategic capability because proactive and innovative SMEs are

better positioned to convert market information into growth opportunities (Wiklund & Shepherd, 2005; Rauch et al., 2009).

Conclusion and Discussion

The study develops a concise framework for examining how strategic management practices influence the business growth of SMEs. The literature and the proposed empirical model indicate that growth should not be attributed to planning alone. The strategic process begins with environmental scanning, becomes actionable

through planning, creates results through implementation, and improves over time through evaluation and corrective control. The strongest practical implication is therefore the need to treat strategy as a continuous management cycle rather than an annual document. The framework also explains why strategic management is particularly relevant to SMEs. Because smaller firms have limited resources, poor prioritization can have immediate consequences. The resource-based view suggests that competitive advantage depends on how effectively a firm identifies and deploys distinctive resources (Barney, 1991). Strategic planning helps direct those resources, while entrepreneurial orientation enables the firm to recognize and pursue new opportunities (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). The positive evidence synthesized by Rauch et al. (2009) further supports the role of entrepreneurial behavior in performance. For managers, the recommended approach is practical: review the external environment regularly, define a small number of measurable strategic objectives, assign ownership and budgets to each priority, review progress monthly or quarterly, and revise assumptions when market conditions change. Such routines can formalize strategic thinking without creating excessive bureaucracy. For researchers, the model can be extended by examining firm age, industry turbulence, access to finance, digital capability, or entrepreneurial orientation as moderators of the strategy-growth relationship. The study is limited by its cross-sectional design and by the use of self-reported growth indicators. A longitudinal design using objective sales, employment, and profitability records would provide stronger causal evidence. Multi-informant data could also reduce common-method bias. Nevertheless, the framework provides a clear and replicable methodology for evaluating strategic management in SMEs and is suitable for adaptation to specific regions, sectors, or institutional contexts.

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