

AN ANALYSIS OF STRATEGIC MANAGEMENT'S IMPACT ON BUSINESS

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ABSTRACT

To deal with the current economic crisis, many firms have had to learn how to transform their ideas into action. As a result, solid strategic planning can help organisations withstand the unstable business climate in various respects. Many studies have looked at how small and medium-sized businesses in India have improved their transaction volumes, customer counts, market shares, and profits by implementing strategic management approaches. Questionnaires were administered to 120 small business owners in Lagos State, India, who volunteered their answers. Descriptive statistics and regression analysis were used to examine the data. SME growth in customer base and market share may be attributed in large part to their competitive advantages and business strategy. The results, on the other hand, show that the structure of an organisation has a small but favourable impact on the transaction volumes of small and medium-sized businesses.

Keywords: Strategic Management, Business Performance, SMEs, Competitive Advantage, India.

I. Introduction

It's not enough for firms to know why they're in business; they must also devise a workable strategy to enhance their results. In recent years, multinational corporations have implemented numerous strategic management approaches to ensure that they fit within the limits of their environment, which is why strategy is a source of lasting competitive advantage. However, despite the fact that this technique has been widely accepted to be critical for the success and competitive advantage of large businesses, most studies demonstrate that for any organisation of any size to flourish, it must be strategic in its day-to-day operations. Firms' competitive advantage, according to the resource-based approach, depends on how well their internal resources are exploited, rather than their external position in the market. According to the contingency model, organisations need to develop managerial strategies that are tailored to the circumstances and conditions they face, but literatures on SMEs tend to focus more on their low performance and high failure rate, which is often attributed to a lack of resources such as funds, land and skilled labor. (Olson, *et al.* 2018) However, despite the lack of these resources, company management experts have said that even with the availability of resources, most SMEs fail owing to a lack of strategic planning, bad management, and lack of managerial education and initiative. Strategic decisions (Ferreira, Mueller, & Papa, 2018) have become essential for large corporations, and small businesses can no longer afford to ignore this fact. As a result, small businesses must allocate their available resources and capabilities in order to gain a competitive edge in relation to their products, competitors, and the market. How much of an impact will strategic management approaches have on the market share, transaction volume, and business performance of small and medium-sized enterprises (SMEs) in India?

II. Literature review

As a result, businesses who don't push forward excellent planning techniques and tools will be unable to compete even in the best of circumstances, according to (Amankwah-Amoah, Khan, & Wood, 2021). In order to avoid being smothered by rivals, the survival-base theory says that every company leader must remember the need of being strategic. The goal of strategy is to get a competitive edge by standing out from the crowd (Sullivan Thomas,

& Rosano, 2018). Rather of fighting for product leadership, it's now battling for leadership in fundamental competences. (Rachinger, *et al.* 2018) goes on to say that identifying core competencies as part of the strategy creation process is done on purpose in order to achieve long-term competitive advantages. In this way, strategic management is an invaluable instrument for increasing a company's competitiveness, productivity, and structural growth. Strategic management methods, according to (Shad, *et al.* 2019), let companies take advantage of and create new and different chances for the future. In order to streamline processes and allow businesses to have a clearer sense of direction, strategic management is a popular option (Ritter, & Pedersen, 2020). There are several benefits to having an overarching strategy for an organisation, such as providing a framework for defining goals, developing long-term policies, and planning for implementation of those goals.

III. Methodology and methods

The study's objective is to determine the effect of strategic management on the financial performance of Indian small and medium-sized enterprises. It was predicted that strategic management and company performance both had three aspects each. The constructs of company performance (market share, transaction volume, and number of customers) were used to model corporate strategy, organisational structure, and competitive advantage. Organizational structure, says (Ahmad, & Ahmad, 2019), is critical to the successful execution of strategy in both commercial and public sector enterprises. It is the firm belief of these individuals that the primary goal of any organisation structure is to bring together employees at all levels (corporate, business, and functional) to collaborate for the common good in order to improve performance in all of these areas as well as to better serve their customers. The quantitative approach and descriptive survey design were used to collect pertinent data in order to accomplish this. Cronbach's Alpha was used to measure the reliability of the questionnaire, which was administered to 120 small-business owners in Lagos, India, with a sample size of 120. As per the notion of corporate ownership, owners of small and medium-sized enterprises (SMEs) are the primary thinkers and decision-makers responsible for developing and implementing their companies' overall strategy. As India's commercial and industrial capital, Lagos State is home to the corporate headquarters of nearly all major Indian corporations, making it an ideal site for data collecting. National Bureau of Statistics-NBS (2012) found that Lagos State has the largest number of small and medium-sized enterprises (SMEs) in India. Analyses were divided into two categories based on hypothesis and data collected: descriptive and inferential. Each respondent's attributes as well as the characteristics of the SMEs employed in the study were described using percentages and frequencies. Multivariate regression was utilised to examine the correlations between the researched variables using inferential statistics and multiple regression.

IV. Discussion of empirical findings

The study's goal was to find out how strategic management affects small and medium-sized enterprises. It is clear from the data analysis that two of the three hypotheses investigated were found to be correct. Businesses in Lagos state have a substantial and positive influence on their market share because of their business strategy, which was shown to have a significant and positive impact on their market share ($p=0.000$, $T=0.3929$, and $p=0.05$). In order to increase market share, small and medium-sized enterprises (SMEs) must be willing to design and implement business plans. Managers may use this information, along with others from (Kwilinski, *et al.* 2019), to better manage their small enterprises and increase their market share and profits. Managers of small businesses, on the

other hand, spend less time on strategic activities, according to (Seetharaman, 2020), who found that most plans lack three components of strategic planning: vision and purpose, long-term goals.

Furthermore, the study found that while the SMEs studied' organisational structure supports operational and active excellence and the attainment of their organisational vision and mission, this structure was found to have no significant impact on transaction volume ($p=0.056$, $t=1.929$, $p>0.05$) as predicted in hypothesis two. As a result of this, there is no evidence to imply that the structure of the management or policy makers of small and medium-sized enterprises (SMEs) has a direct impact on the number of goods and services they provide for sale or provide. One way that strategic management practises affect the success of small and medium-sized enterprises (SMEs) is through the investment in people and their skills. This may have been one of the reasons why the vast majority of small business owners and managers allowed for a wide range of viewpoints and ideas to be expressed.

Hypothesis three shows that small and medium-sized businesses may greatly grow their client base when they have a strong competitive advantage ($p=0.000$, $t=3.986$, $p<0.05$). SMEs, then, must have a superior and long-term competitive edge over their rivals in order to win and keep clients.

V. Summary of Findings

Small and medium-sized enterprises in Lagos, India, are the focus of this research. A sample of 120 small company owners/managers in Lagos, India, was surveyed using a questionnaire and the survey approach, and data was obtained. The independent variable-business strategy, organisational structure, and competitive advantage-were employed in the regression analysis to determine the market share, transaction volume, and customer base of the SMEs. As a result of this research, it can be concluded that small and medium-sized enterprises (SMEs) who are effective in implementing business strategies would likely see a growth in their customer base, which in turn will raise their transaction volume and, ultimately, their market share. (Ritter, & Pedersen, 2020) opinion that small businesses must use strategic management practises as part of their way of enhancing organisational performance to meet the changes and challenges of the global economy is in line with this conclusion.

VI. Conclusion

For any SME to be successful, they must not only have a clearly defined vision and mission, but they must also diligently apply strategic management principles to improve business performance and gain a competitive advantage over other businesses. This is a simple statement to make given the reality and importance of strategic management for SMEs.

VII. Recommendation

1. Every firm, big or small, must have a well-thought-out plan that serves as a compass for the company.
1. As a result, business owners of small and medium-sized enterprises (SMEs) should make certain that they have a clear understanding of their company's purpose, vision, goals, and objectives, as well as a strategy for achieving them. These strategies, however, must be made in light of the current circumstances and condition.
2. Owners and managers of small and medium-sized businesses (SMEs) should follow all applicable procedures and guidelines while developing their strategy (Verma, & Gustafsson, 2020). This is due to

the fact that a company's success is based on its ability to create and implement a strategy that is distinct from that of its rivals.

3. When it comes to strategy formulation and implementation, SMEs need to stop thinking of themselves as being too small to make a difference, because according to (Kraus, *et al.* 2020), an organization's competitive advantage is determined more by how well it uses its own internal resources than by where it happens to be located. In addition, in a circumstance when they are not skilled enough, they might learn more about the use of strategic management principles.
4. SMEs must have a long-term competitive edge over their rivals in order to see an expansion in their consumer base. Customers' wants and demands need to be taken into consideration while designing their products, which means they need to rely on either their core competencies or another aspect of their business to do so.

VIII. References

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